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CONTROL AND DISTRIBUTION OF FOOD SUPPLIES

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-FIFTH CONGRESS
FIRST SESSION

RELATIVE TO

S. 2463

Printed for the use of the Committee on Agriculture and Forestry

PART 1



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CONTROL AND DISTRIBUTION OF FOOD SUPPLIES.

TUESDAY, JUNE 19, 1917.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to the call of the chairman, in room 228, Senate Office Building.

Present: Senators Gore (chairman), Chamberlain, Smith of South Carolina, Page, Sheppard, Ransdell, Brady, Thompson, Kenyon, Johnson, and Kendrick.

Present also: Senators Nelson, Robinson, Vardaman, Walsh, Newlands, Smoot, Hitchcock, Jones of New Mexico, Pomerene, Reed, and Wolcott.

The committee proceeded to the consideration of S. 2463, which is as follows:

[S. 2463, Sixty-fifth Congress, first session.]

A BILL To provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, by reason of the existence of a state of war, it is essential to the national security and defense, for the successful prosecution of the war, and for the support and maintenance of the Army and Navy, to assure an adequate supply and equitable distribution, and to facilitate the movement, of foods, feeds, fuel, and articles required for their production, hereafter in this act called necessities; to prevent, locally or generally, scarcity, monopolization, hoarding, injurious speculation, manipulations, and private controls, affecting such supply, distribution, and movement; and to establish and maintain governmental control of such necessities during the war. For such purposes the instrumentalities, means, methods, powers, authorities, duties, obligations, and prohibitions hereinafter set forth are created, established, conferred, and prescribed.

SEC. 2. That words used in this act shall be construed to import the plural or the singular, as the case demands. The word "person," wherever used in this act, shall include individuals, partnerships, associations, and corporations. When construing and enforcing the provisions of this act, the act, omission, or failure of any official, agent, or other person acting for or employed by any partnership, association, or corporation within the scope of his employment or office shall, in every case, also be deemed the act, omission, or failure of such partnership, association, or corporation as well as that of the person.

SEC. 3. That there is hereby established a governmental control of necessities which shall extend to and include all the processes, methods, activities of, and for the production, manufacture, procurement, storage, distribution, sale, marketing, pledging, financing, and consumption of necessities, which shall be exercised and administered by the President for the purposes of this act; and all such necessities, processes, methods, and activities are hereby declared to be affected with a public interest. And in carrying out the purposes of this section the President is authorized to enter into any voluntary arrangements or agreements, to use any agency or agencies, to accept the services of any person without compensation, to cooperate with any agency or person, to utilize any department or agency of the Government, and to coordinate their activities so as to avoid any preventable loss or duplication of effort or funds: *Provided*, That none of the penalties of this act shall apply to this section.

SEC. 4. That it is hereby made unlawful for any person willfully to destroy any necessities for the purpose of enhancing the price or restricting the supply thereof; knowingly to commit waste or willfully to permit preventable deterioration of any necessities in or in connection with their production, manufacture, or distribution; to hoard, as defined in section six of this act, any necessities; to monopolize or attempt to monopolize, either locally or generally, any necessities; to engage in any discriminatory and unfair, or any deceptive or wasteful practice or device; or to make any unjust or unreasonable rate or charge, in handling or dealing in or with any necessities; to conspire, combine, agree, or arrange with any other person, (a) to limit the facilities for transporting, producing, manufacturing, supplying, storing, or dealing in any necessities; (b) to restrict the supply of any necessities; (c) to restrict distribution of any necessities; (d) to prevent, limit, or lessen the manufacture or production of any necessities, or to enhance the price thereof; or (e) to exact excessive prices for any necessities; or to aid or abet the doing of any act made unlawful by this section.

SEC. 5. That, from time to time, whenever the President shall find it essential to license the importation, exportation, manufacture, storage, or distribution of any necessities, in order to carry into effect any of the purposes of this act, and shall publicly so announce, no person shall, after a date fixed in the announcement, engage in or carry on any such business specified in the announcement of importation, exportation, manufacture, storage, or distribution of any necessities as set forth in such announcement, unless he shall secure and hold a license issued pursuant to this section. The President is authorized to prescribe such regulations governing the conduct of the business of licenses as may be essential to prevent uneconomical manufacture and inequitable distribution of necessities and otherwise to carry out the purposes of this act. Such regulations may also include requirements for the issuance of licenses and requirements for systems of accounts and auditing of accounts to be kept by licensees, submission of reports by them, with or without oath or affirmation, and the entry and inspection by the President's duly authorized agents of the places of business of licensees. Whenever the President shall find that any rate, charge, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue any such unjust, unreasonable, discriminatory and unfair, or wasteful rate, charge, or practice, thereafter, unless such order is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory and unfair, or wasteful rate, charge, or practice. The President may, in lieu of any such unjust, unreasonable, discriminatory and unfair, or wasteful rate, charge, or practice, find what is a just, reasonable, nondiscriminatory and fair, or economical rate, charge, or practice; and in any suit in any Federal or State court of competent jurisdiction such finding of the President shall be prima facie evidence. Any person who, without a license issued pursuant to this section, knowingly engages in or carries on any business for which a license is required under this section, or willfully fails or refuses to discontinue any unjust, unreasonable, discriminatory and unfair, or wasteful rate, charge, or practice, in accordance with the requirement of an order issued under this section, or willfully violates any provision of this section or any regulation prescribed under this section shall, upon conviction thereof, be punished by a fine not exceeding \$5,000 or by imprisonment for not more than two years, or both: *Provided*, That this section shall not apply to any farmer, gardener, or other person with respect to the products of any farm, garden, or other land owned, leased, or cultivated by him, nor to any retailer with respect to the retail business actually conducted by him, nor to any common carrier, nor shall anything in this section be construed to authorize the fixing or imposition of a duty or tax upon any article imported into or exported from the United States or any State, Territory, or the District of Columbia.

SEC. 6. That any person who willfully hoards any necessities shall, upon conviction thereof, be fined not exceeding \$5,000 or be imprisoned for not more than two years, or both. Necessaries shall be deemed to be hoarded within the meaning of this act when either (a) held, contracted for, or arranged for by any person in a quantity in excess of his reasonable requirements for use or consumption by himself and dependents for a reasonable time; (b) held, contracted for, or arranged for by any manufacturer, wholesaler, retailer, or other dealer in a quantity in excess of the reasonable requirements of his business for use or sale by him for a reasonable time, or reasonably required to furnish

necessaries produced in surplus quantities seasonally throughout the period of scant or no production; or (c) withheld, whether by possession or under any contract or arrangement, from the market by any person for the purpose of unreasonably increasing or diminishing the price: *Provided, however,* That any accumulating or withholding by any farmer, gardener, or any other person, of the products of any farm, garden, or other land owned, leased, or cultivated by him shall not be deemed to be hoarding within the meaning of this act.

SEC. 7. That whenever any necessities shall be hoarded as defined in section six they shall be liable to be proceeded against in any district court of the United States within the district where the same are found and seized by a process of libel for condemnation, and if such necessities shall be adjudged to be hoarded they shall be disposed of by sale in such manner as to provide the most equitable distribution thereof as the court may direct, and the proceeds thereof, less the legal costs and charges, shall be paid to the party entitled thereto. The proceedings of such libel cases shall conform as near as may be to the proceedings in admiralty, except that either party may demand trial by jury of any issue of fact joined in any such case, and all such proceedings shall be at the suit of and in the name of the United States. It shall be the duty of the United States attorney for the proper district to institute and prosecute any such action upon presentation to him of satisfactory evidence to sustain the same.

SEC. 8. That any person who willfully destroys any necessities for the purpose of enhancing the price or restricting the supply thereof shall, upon conviction thereof, be fined not exceeding \$5,000 or imprisoned for not more than two years, or both.

SEC. 9. That to carry into effect the purposes of this act the President is authorized to purchase, provide for the production or manufacture of necessities; to store them and to provide storage facilities for them by construction, purchase, lease, or otherwise; to sell them; and to require any person having the control of any necessities, or any storage space suitable for the storing of necessities, to furnish the whole or any part of such necessities or storage space to the Government in such quantities, at such times, and at such prices as shall be determined by the President to be reasonable. Upon failure of the person to comply with such requirement, the President is authorized to requisition and take possession of any such necessities or storage space, and to pay for them at the price so determined. If the price so determined be not satisfactory to the person entitled to receive the same, such person shall be paid the amount prescribed by the President, and shall be entitled to sue the United States to recover such further sum as, added to the amount so paid, will be just compensation for such necessities or storage space, and jurisdiction is hereby conferred on the United States District Courts to hear and determine all such controversies: *Provided,* That nothing in this section shall be construed to require any natural person to furnish to the Government any necessities held by him and reasonably required for consumption by himself and dependents for a reasonable time. Any moneys received by the United States from or in connection with the disposal by the United States of necessities under this section may, in the discretion of the President, be used as a revolving fund for further carrying out the purposes of this section. Any balance of such moneys not used as part of such revolving fund shall be covered into the Treasury as miscellaneous receipts.

SEC. 10. That whenever the President shall find that it is impossible by license or by voluntary agreement or agreement to assure an adequate and continuous supply of necessities, he is authorized to requisition and take over, for use or operation by the Government, any factory, mine, or other plant, or any part thereof, in which any necessities are or may be manufactured, produced, prepared, or mined. Whenever the President shall determine that the further use or operation by the Government of any such factory, mine, or plant, or part thereof, is not essential for the national security or defense, the same shall be restored to the person entitled to the possession thereof. The United States shall make just compensation, to be determined by the President, for the taking over, use, occupation, and operation by the Government of any such factory, mine, or plant, or part thereof. If the amount so determined be unsatisfactory to the person entitled to receive the same, such person shall be paid the amount prescribed by the President, and shall be entitled to sue the United States to recover such further sum as, added to the amount paid, will be just compensation, in the manner provided by section twenty-four, paragraph twenty, and section

one hundred and forty-five of the Judicial Code. The President is authorized to prescribe such regulations as he may deem essential for carrying out the purposes of this section, including the operation of any such factory, mine, or plant, or part thereof, the purchase, sale, or other disposition of articles used, manufactured, produced, prepared, or mined therein, and the employment, control, and compensation of employees. Any moneys received by the United States from or in connection with the use or operation of any such factory, mine, or plant, or part thereof, may, in the discretion of the President, be used as a revolving fund for the purpose of the continued use or operation of any such factory, mine, or plant, or part thereof, and the accounts of each such factory, mine, plant, or part thereof, shall be kept separate and distinct. Any balance of such moneys not used as part of such revolving fund shall be paid into the Treasury as miscellaneous receipts.

SEC. 11. That, whenever the President finds it essential in order to prevent undue enhancement or fluctuation of prices of, or in order to prevent injurious speculation in, or in order to prevent unjust market manipulation or unfair and misleading market quotations of the prices of necessities, hereafter in this section called evil practices, he is authorized to prescribe such regulations governing, or may either wholly or partly prohibit, operations, practices, and transactions at, on, in or under the rules of any exchange, board of trade, or similar institution or place of business as he may find essential in order to prevent, correct, or remove such evil practices. Further, for the purpose of this section, the President may require all persons coming within its provisions to keep such records and statements of account, and may require such persons to make such returns, verified under oath or otherwise, as will fully and correctly disclose all transactions at, in, or on, or under the rules of any such exchange, board of trade, or similar institution or place of business, including the making, execution, settlement, and fulfillment thereof. He may also require all persons acting in the capacity of a clearing house, clearing association, or similar institution, for the purpose of clearing, settling, or adjusting transactions at, in, or on, or under the rules of any such exchange, board of trade, or similar institution or place of business, to keep such records and to make such returns as will fully and correctly disclose all facts in their possession relating to such transactions, and he may appoint agents to conduct the investigations necessary to enforce the provisions of this section and all rules and regulations made by him in pursuance thereof, and may fix and pay the compensation of such agents. Any person who willfully violates any regulation made pursuant to this section, or who knowingly engages in any operation, practice, or transaction prohibited pursuant to this section, or who willfully aids or abets any such violation or any such prohibited operation, practice, or transaction, shall, upon conviction thereof, be punished by a fine not exceeding \$10,000 or by imprisonment for not more than four years, or both.

SEC. 12. That, whenever the President shall find that an emergency exists requiring stimulation of production and that it is essential that the producers of any nonperishable agricultural products produced within the United States shall have the benefits of the guarantee provided for in this section in order to stimulate production of such products, he is authorized, from time to time, seasonably and as far in advance of seeding time as practicable, to determine and fix and to give public notice of what, under specified conditions, is a reasonable guaranteed price for any such products, in order to assure such producers a reasonable profit. Thereupon, the Government of the United States hereby guarantees every producer of any merchantable nonperishable agricultural products produced within the United States, for which a guaranteed price shall be fixed by notice in accordance with this section, that, upon compliance by him with the regulations prescribed by the President, he will receive for any such products produced in reliance upon this guarantee within the period, not exceeding three years, prescribed in the notice, a price not less than the guaranteed price therefor as fixed pursuant to this section. In such regulations the President shall prescribe the terms and conditions upon which any such producer shall be entitled to the benefits of such guarantee. When the President finds that the importation into the United States of any such products produced outside of the United States seriously interferes or is likely seriously to interfere with the practical operation of any guaranteed price therefor fixed pursuant to this section, or materially enhances or is likely materially to enhance the liabilities of the United States under guarantees of prices therefor made pursuant to this section, and shall so proclaim, there shall be levied, collected, and paid a rate of duty, upon the products so im-

ported, the amount of which rate of duty shall be ascertained and proclaimed by the President, which amount shall, when added to the value of the product at the time it is offered for entry, be sufficient to bring the price thereof at which imported up to the price which shall have been fixed therefor pursuant to this section; but in no case shall any such rate of duty be fixed at an amount which will effect a reduction of the rate of duty upon any such products under any then existing tariff law of the United States. For the purpose of making any guaranteed price effective under this section, or whenever he deems it essential in order to protect the Government of the United States against material enhancement of its liabilities arising out of any guarantee under this section, the President is authorized also, in his discretion, to purchase any such products for which a guaranteed price shall be fixed under this section, and to hold, transport, or store them, or to sell, dispose of, and deliver the same to any person or to any government engaged in war with any country with which the Government of the United States is or may be at war or to use the same as supplies for any department or agency of the Government of the United States. Any moneys received by the United States from or in connection with the sale or disposal of any products under this section may, in the discretion of the President, be used as a revolving fund for further carrying out the purposes of this section. Any balance of such moneys not used as part of such revolving fund shall be covered into the Treasury as miscellaneous receipts.

SEC. 13. That whenever the President shall find that limitation, regulation, or prohibition of the use of foods, food materials, or feeds in the production of alcohol or of alcoholic or nonalcoholic beverages, or such nonalcoholic beverages as he shall determine, or that reduction of the alcoholic content of any beverage is essential, in order to assure an adequate and continuous supply of food, he is authorized, from time to time, to prescribe, and give public notice of, the extent of the limitation, regulation, prohibition, or reduction so necessitated. Whenever such notice shall have been given and shall remain unrevoked, no person shall, after a reasonable time, which shall be prescribed in the notice, use any foods, food materials, or feeds in the production of alcohol or of alcoholic or nonalcoholic beverages, except in accordance with the limitations, regulations, and prohibitions prescribed in such notice, or produce any beverage having an alcoholic content in excess of the amount prescribed therefor in such notice. Any person who willfully violates this section shall, upon conviction thereof, be punished by a fine not exceeding \$5,000, or by imprisonment for not more than two years, or both.

SEC. 14. That in carrying out the purposes of this act the President is authorized to create an agency or agencies, to accept the services of any person without compensation, to cooperate with any agency or person, to utilize any department or agency of the Government, and to coordinate their activities so as to avoid any preventable loss of funds or duplication of work.

SEC. 15. That under regulations to be prescribed by the President the use of the mails of the United States free of charge for postage for exclusively official business in carrying out the purposes of this act shall be extended to any agency or person designated by the President.

SEC. 16. That the President is authorized to make such regulations and to issue such orders as are essential effectively to carry out the provisions of this act.

SEC. 17. That every person who willfully assaults, resists, impedes, or interferes with any officer, employee, or agent of the United States in the execution of any duty authorized to be performed by or pursuant to this act shall upon conviction thereof be fined not exceeding \$1,000 or be imprisoned for not more than one year, or both.

SEC. 18. That the sum of \$2,500,000 is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, to be available immediately and until expended, for the payment of such rent, the expense of such printing and publications, the purchase of such material and equipment, and the employment of such persons and means, in the city of Washington and elsewhere, as the President may deem essential.

SEC. 19. That for the purposes of this act the sum of \$150,000,000 is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, to be available immediately and until expended: *Provided*, That no part of this appropriation shall be expended for the purposes described in section eighteen.

SEC. 20. That if any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder

thereof, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SEC. 21. That the provisions of this act shall cease to be in effect when the national emergency resulting from the existing state of war shall have passed, the date of which shall be ascertained and proclaimed by the President; but the date when this act shall cease to be in effect shall not be later than one year after the termination, as ascertained by the President, of the present war between the United States and Germany. Nothing in this section shall be construed to prevent the fulfillment by the United States of any legal obligation incurred pursuant to this act which shall be in force when this act ceases to be in effect.

The following extracts of H. R. 4188 are also here printed by direction of the chairman:

SEC. 10. That any person carrying on or employed in commerce among the several States or with foreign nations or with or in the Territories or other possessions of the United States in any article suitable for human food, fuel, or other necessities of life, who, either in his individual capacity or as an officer, agent, or employee of a corporation, or member of a partnership, carrying on or employed in such trade, shall store, acquire, or hold, or who shall destroy or make away with any such article for the purpose of limiting the supply thereof to the public or affecting the market price thereof in such commerce, whether temporarily or otherwise, shall be deemed guilty of a felony, and be punished by imprisonment in the penitentiary for not less than six months nor more than three years: *Provided*, That any storing or holding by any farmer, gardener, or other person, of the products of any farm, garden, or other land cultivated by him, shall not be deemed to be a storing or holding within the meaning of this act: *Provided further*, That farmers and fruit growers, cooperative and other exchanges, or societies of a similar character, shall not be included within the provisions of this section: *And provided further*, That the foregoing shall not be construed to prohibit the acquiring, storing, or holding of such article for future sale for such advanced price as might prevail in the ordinary course of business and in a free and unrestricted market.

SEC. 11. That all public surveyed unreserved lands within the States of New Mexico, Arizona, Colorado, Utah, and South Dakota are hereby designated without further classification or action as subject to the provisions of the act of December twenty-ninth, nineteen hundred and sixteen, known as the six hundred and forty acre homestead act.

All applications for entry under the provisions of said act heretofore or hereafter made in the States of New Mexico, Arizona, Colorado, Utah, and South Dakota are hereby directed to be received by the respective land officials and approved by the proper officials of the Land Department, subject to individual contest.

Subject only to proof of residence and value of improvements, such as wells, waters, fences, corrals, and houses, and to proof of qualifications of entrymen as provided in said act, patent shall issue for each such entry.

The CHAIRMAN. I will state to the committee and others present that the object of this meeting is to hear from Mr. Hoover in regard to the pending bill, S. 2463. Request has been made that Mr. Hoover be allowed to finish his statement in a continuous way, and he will then subject himself to questions on the part of the committee and other Senators who chance to be present who desire to question him.

STATEMENT OF HON. HERBERT C. HOOVER, DIRECTOR OF FOOD CONTROL, WASHINGTON, D. C.

Mr. HOOVER. Senator Gore, I want to be just as short and to the point as possible, and therefore I have prepared some written notes, and I crave your privilege to get through these notes and then subject myself to any amount of questioning that I can within my abilities reply to.

The first question that arises is whether national necessity has reached the point which demands immediate legislative action. It seems scarcely necessary to prove that there has been a shortage in the world's food supply this last year. The terrific drain on our surplus and the extraordinary prices paid to us for food are ample evidence of this. The real question is whether this shortage will continue next year; whether the necessities of our allies require special effort on our part to increase our export to them, and what our own internal situation has become and is likely to develop into under this shortage.

Despite the rigid measure adopted to reduce consumption among the allies, they shall require to import next year larger amounts of cereals and meats than ever before. The large failure of the winter wheat harvest in France and England, larger consumption by armies in the field and munition workers, the reduced productivity of the land by reduction in man power, the sinking of cargoes by submarines all pile up one increasing demand upon another, despite the efforts of the women in the fields. Moreover, the allies are more isolated to-day in their sources of food than ever before, even during the war. It requires three times the tonnage and double the danger to bring wheat from Australia and India than from the Atlantic seaboard, and to-day these sources are largely unavailable. The crop failure in the Argentine gives no hope from that quarter until next March or April, and the allies are, of course, isolated from the normal supply of Russia, Rumania, and Bulgaria. They are thus dependent upon North America for the vast majority of their food imports.

A preliminary view of our harvest and our own normal consumption would indicate that without any special endeavor we would be able to supply from North America, say, 60 per cent of what they would require. The deficiency of 40 per cent must be made up of self-denial on their part and rigid economy and saving of waste on our part. I am confident that with sufficient endeavor on both sides, we can increase our surplus to meet her reduced demands. It in any event means privation to them, but such effort on our part guarantees their constancy in the war, for without adequate food supply no European population will continue the fight and we shall find ourselves alone as the enemy of Germany.

We already have one bitter experience constantly in the forefront of our minds of identical character. The revolution in Russia was a food riot wherein the violences of starving thousands was seized upon, not by the moderates of the country for progressive development of government and continuation in war, but by the radical and pacifist element, and we see unfolding before our eyes at least the temporary paralysis of an ally. The price is worth paying in autocratic Russia, but not in the western democracies. If through any failure of ours we should bring about this situation among our western allies or among our own people, there will rest upon us the responsibility for a failure of civilization and government larger than has ever rested upon a nation.

As to the reaction of this food demand on our own internal situation, I may point out: We are just finishing a year of preliminary experience with unchecked suction from the food vacuum of Europe,

and, as the food supply of the world will be even less next year than last, the suction of that vacuum will be much stronger. We already find ourselves with unprecedented prices and with our distributing trades rampant with speculation. This speculation is not wholly deliberate, but arises from the endeavor of every link in the distributing chain to protect itself from the uncertainties of the future. It appears from a study of the situation that there has grown up in this country a greatly increased amount of forward contracting in an endeavor on the part of the various links of the distributing trade to protect themselves in supplies and varying prices. The retailer demands of the wholesaler an assurance of his supplies for a long period ahead. The wholesaler, in making promises to the retailer, must make a high price, as he, the wholesaler, is in this transaction only wagering on his ability to secure supplies at the date set. The wholesaler turns to the manufacturer, and the same operation repeats itself, for the manufacturer must contract in advance of the actual production. The result is that we have such a position as that existing in the canning trade at the present moment, where the entire output of the American canners for 1917 has been sold to the jobbers before the vegetables, fruit, or fish to be packed have yet emerged to the surface.

Ordinarily part of the supply remains with the canner uncontracted for, and acts as a balance wheel on the price. One consequence of this is that, in the face of one of the largest outputs of canned goods in our history, we are assured the highest price in the world's record. In addition to these failures induced by the war, in our commercial distribution we are confronted daily and hourly with evidence of a large amount of rank speculation at every link of the distributing chain by persons not engaged in actual commerce of distribution. Thousands of men in this country who never owned a commodity in their life have bought canned goods, flour, wheat, and every food commodity to speculate for the rise, and these speculations have been prompted to a great degree by the increased field of forward contracts, which offer a basis for transfer of titles in commodities not much speculated in hitherto. Altogether we face the amazing situation of the country producing a surplus of foodstuffs and paying the highest prices known to its history.

There can be no more vivid evidence of the desirability of food control in this situation than a comparison between our prices and the prices of foodstuffs in countries where there is some measure of food administration. I will not traverse the prices of all commodities. More to say, as a general fact, the average prices to the consumer are lower in food-controlled countries than in the United States. Practically the entire wheat supply to Belgium is to-day imported from the United States, and, despite the extraordinary costs of transportation, the price of bread is 60 per cent of the price in New York City. A large portion of the wheat of France comes from this country, and yet the price of bread is, again, 40 per cent below our own. In England, where food control was started too late, the price is 30 per cent below our price, and in Canada, again, we see a lower range of prices to the consumer than in our own country, although the producer realizes the same price.

We now have a high cost of living in this country beyond the abilities of certain sections of the population to withstand and to secure proper nourishment from the wage level of the country. Unless we can ameliorate this condition and unless we can prevent further advances in price we must confront an entire rearrangement of the wage level, with all the hardships and social disturbances which necessarily follow. We shall in this turmoil experience a large loss in national efficiency at a time when we can least afford to lose the energies of any single man.

We have no right to ask these sections of our population to rest content with the situation, or if experience is any criterion, either of history or of war itself, they will not so rest, and it is my belief that unless we take some control of our food situation we will yet look back on this moment as one of comparatively moderate prices.

The legislation before Congress provides for the creation of a number of tools with which the administration may construct the necessary roads and bridges to carry us over the disruption caused by the war of our commercial system and to enable us to stimulate larger contributions of food to the allies.

It is impossible, in constructing routes and bridges through this forest of speculation and difficulty, to describe in advance the route and detail of these roads and bridges which we must push forward from day to day as we proceed into the unknown. Therefore the character of the legislation has been in the nature of endowing us with the tools to secure, with such wisdom as we can assemble from the whole country, the securest and best results.

It is nevertheless due to the Congress and the people that they should be informed, so far as it lies in our power, as to the nature of the construction which we propose to undertake. In so fundamental an undertaking and interference with the daily life of the people it is due them that every step taken shall be taken in open daylight and subjected to the closest possible scrutiny.

From a number of current illusions about the legislation proposed, the first is the illusion in some quarters that the bill is directed against the producer. It would not be necessary to traverse this statement to anyone that had read the bill. It especially excepts the producer from every one of its provisions, with the exception of one section, and that is the provision for a guarantee, and this section is designed to entirely benefit and secure the producer. The savings of the American consumer ought not and should not be made by a sacrifice on the part of the producer. They should be made by the exclusion of speculative profits from the handling of our foodstuffs.

The second illusion is that there is price fixing by this bill. There is no provision for price fixing, and no such thing can be carried out under the bill. What we hope to do is to stabilize prices by various devices and to regulate the profits and speculation out of handling commodities.

The legislation proposed does not confer food dictatorship, nor does the administration devised contemplate anything of that nature. The food administrations of Europe and the powers that they possess are of the nature of dictatorship, but happily ours is not as their plight, for we have reached no point of desperation in our food supply. The character of the administration proposed is based on an

entirely different conception from that of Europe. The tendency there has been for the Government to take over the functions of the middleman, first with one commodity and then another, until, in the extreme case of Germany, practically all food commodities are taken directly by the Government from the producer and allotted on an iron-clad system of ticket distribution to the consumer. The whole of the great distributing agencies, and the financial system which revolved around them, having been suspended for the war or destroyed for good. That is the system which is dictatorship and which, so far as I can see, this country need never approach. In distinction from this, our conception of the problem in the United States is that we should assemble the voluntary effort of the people, of the men who represent the great trades; that we should in effect, undertake with their cooperation the regulation of the distributing machinery of the country in such a manner that we may restore its functions to as nearly as may be to a prewar basis, and thus eliminate so far as may be the evils and failures which have sprung up. And at the same time we propose to mobilize the spirit of self-denial and self-sacrifice in this country in order that we may reduce our national waste and our national expenditure.

If democracy is worth anything, we can do these things by co-operation, by stimulation, by self-sacrifice, by the patriotic mobilization of the brains of this country. If it can not be done in this manner, it is better that we accept German domination and confess the failure of our political ideals, acquiesce in the superiority of the German conception and send for the Germans to instruct us in its use. At the same time, while we may rest with assurance upon the volunteer support which we shall receive and which we are receiving from hundreds of trades throughout the country, there is no population so perfect, so filled with idealism, that there is not some residue who will refuse to cooperate and thereby nullify every endeavor of the majority. Therefore it is necessary to have considerable powers for the regulation of trade in order that we may give support to those patriotic men who are willing to bend their energies to the national necessity and force the minority to follow their leadership.

Food administration, as we see it, falls into four great branches: The first, the control of our exports; second, the instrumentalities which we set up in an endeavor to regulate trade to the exclusion of both legitimate and illegitimate speculation; third, the mobilization of the women and men of the country engaged in personal distribution as actual members of the food administration to carry out, so far as their circumstances permit, the advice and directions which we give to them toward national conservation; fourth, the erection in every State in the Union of some form of food administration and the decentralization of our functions so far as possible into the State administrations, we to support them in interstate matters and to advise and cooperate with them.

We must, in the first instance, put such restrictions upon the export of foodstuffs as will leave us a proper supply for our own people, lest with the great pull of this tremendous vacuum we be left next spring with insufficient supplies.

The second, that is, elimination of speculation and evil practices, is fundamentally the most difficult and must fill all concerned with

the most continuous and deepest anxiety. How important it is that we should arrive at some method of excluding the "legitimate" and illegitimate speculation from trades may be perhaps emphasized, if we consider what has happened during the past year in the matter of flour. If we assume that the farmer last year received an average of, at the highest, \$1.60 per bushel for his wheat, then with the addition of the normal manufacturing cost, righteous profits of distribution, the price of flour should not throughout the country in the larger consuming centers have exceeded \$9 per barrel, and yet the price of flour at a great many centers is \$15 per barrel throughout the country and probably averages over \$14. Some one is taking \$5 per barrel on 10,000,000 barrels per month, which is marketed in this country. This is \$50,000,000 per month taken out of the American public, and since the raise of price of flour above \$9 per barrel, we may assume rightly that over \$250,000,000 will have been extracted from the consumer in excess of normal profits of the trade and distribution.

It appears to us that here are three kinds of measures to be taken, so far as they can be taken in order to eliminate speculation and the illegitimate profits from trading. The first one of these is in the nature of regulation being, in the main, sections 3, 5, and 11, and the second by positive action on the part of the Government in the purchase and sale of foodstuffs, as provided in sections 9 and 19, and the third the penal provisions against waste and hoarding.

By regulatory action in the bill, particularly section 3 and section 5, it is desired to set up tools by which the various links in the distribution chain can, through cooperation and agreement be amicably settled into their legitimate channels, and by which a minority or if necessary even a majority, can be forced to accept a reasonable and proper basis and to eliminate certain practices from those trades which lend themselves to speculation. We have had a great amount of discussion with various leaders in various trades, and I am confident that the sense of service and devotion to the national interest predominates in the vast majority of all these men. We have had no single case of any trade with which we have had consultation opposing this bill. I do not think there has appeared before this committee or before the House committee a single one of the national associations of the great distributing trades in opposition to the regulatory clauses in sections 3, 5, and 11 of the bill.

These men are, however, absolutely helpless to eliminate the practices from their own trades themselves, which lend themselves to speculative action. Take, for instance, the flour matter. I am convinced that the majority of this great trade will welcome an arrangement by which they may set a scale of normal profits or charges to be made from flour milling and that this will be settled in cooperation with the majority of the trade. In order, however, to enable these gentlemen to do this, we must be in position to force every member of the trade, for it is not fair to call upon even the majority to do service alone. I believe that we can even trust these gentlemen to police the trade themselves, to see that the regulations agreed upon are carried out.

One practice which we desire very much to see eliminated from this trade is the forward selling of flour. By the forward selling of flour is created a series of documents which lend themselves to

speculation, and from these forward sales arises a necessity for the miller to protect himself by the forward purchase of wheat. I believe we can, with the cooperation of the trade, limit forward selling of flour to 30 days, and we will have eliminated the groundwork on which speculation in flour is largely built. If in turn we can secure cooperation with the jobbing trade in flour we can limit, with their full cooperation, the commission to be taken on the turnover on flour. But it is necessary to have the power set out in section 3 and section 5 of the bill in order that we may effect these agreements and in order that we may enforce them when effected. This and section 11 are the constructive parts of regulation and are vital to all hope of success in administration.

In order that we should have the power to abolish deliberate accumulations of commodities with view to speculation, provisions against hoarding and waste have been introduced in the bill. For the bill to rest on these provisions alone takes it out of the range of administration and management and places it solely on the ground of penalization. The vast amount of legislation already existing in this country against evil practices of this kind is a monument to its total failure as a solution of the food problem; these sections are useful or necessary scarecrows in our garden. They plant no seeds and cultivate no soil.

The second constructive feature of the bill for the management of food supplies hinges around the provision in section 9 and section 19—i. e., the authority to the Government to buy and sell, and a provision for appropriation of money to carry out these operations. This function is one which, so far as we can see, will be only necessary in a few prime commodities and is approached from the point of view that if we can stabilize prices in these commodities by actual commercial operations, we shall have eliminated the incentive to speculation, because there would no longer be any objective in such operations. For instance, we may take the problems arising around the wheat supply of the country.

The wheat supply of the world may be likened to a number of vessels connected with pipes, one being situated in Russia, one in the Argentine, one in Australia, one in England, one in the United States, and one in Canada, and so on. A sudden demand upon any one vessel in normal times immediately equalizes itself over the whole. But to-day all the vessels are disconnected and given a coincidence of buying on a large scale, followed by an invariable train of speculative activity such as we witnessed during the months of March and April; the level of our vessel rises and falls 30 to 40 per cent, whereas under prewar conditions the same buying could not have affected our price by 2 per cent. The balance wheel for stabilizing prices is gone and we must therefore explore the distribution chain in our wheat and flour products to discover, if possible, where we may introduce a temporary and artificial balance wheel which will save us from the difficulties of our present situation.

Another phase of the problem to be considered is that in normal times during the fall months the wheat flows out of our Atlantic ports at the rate of 12,000,000 to 15,000,000 bushels per week, and thus allows us a discharge of a large flow of wheat against arrivals from the farmers of the interior. During the coming year, owing to the limited amount of shipping, this flow of wheat must be restricted

to probably 6,000,000 bushels, and must be spread over a longer period. The net result will be that our elevators and our interior terminals must be mobilized for a larger duty than ever before in our history, and we may need increase our storage at a given moment by 100,000,000 bushels, or we shall have placed our agricultural population in immediate difficulties by their inability to realize their harvest. The normal commercial machinery for the handling of the crops has been built and extended upon a basis of a normal stock of wheat in the hands of the middleman, whereas we have to front during this coming season an accumulation at some point of probably double the normal. The wheat machinery, the whole commercial structure, is insufficient for this problem, and we shall have abnormal fluctuations in the price of wheat for this reason alone. It will offer unlimited opportunity for speculation, against the interests of our producers and consumers.

There is still a further difficulty we will have to contend with in this trade. There is an inadequacy of transportation in the country, and we must design such methods as will minimize the movement of wheat—its confinement to its most direct lines and its lubrication in export trade in order in order that we may reduce the tax upon our transportation system. I can give you no better illustration of this than the condition of one of our large terminals about the middle of last April. There were 109 bins in that terminal containing grain, which either belonged to different owners or of different grades, and yet the terminal was less than one-third full, and at the same moment from 4,000 to 6,000 cars loaded with grain were blockaded upon the tracks in the yard. If by cooperation with our allies we can reduce the ownership of this grain to only one, and the number of grains to three or four, it should be possible for this terminal to carry 100 per cent of grain and have no delay in the yards with the consequent disruption of our car capacity. These difficulties at the terminals are but incidents of the war, as are the nonarrivals of calculated shipping, the inability of commerce to adjust itself in every ebb and flow.

We have thought out a method which is still subject to debate, but we believe it may to a large degree remedy the difficulties in handling this commodity, and to do so with a minimum disturbance to our distributing agencies.

In order to solve these difficulties and to stabilize the price of wheat the proposal is to set up a wheat commission that will buy the surplus wheat of the country, regulate the storage of it from a transportation point of view, and be prepared to carry it until such time as it is required for export or alternatively, if necessary, to sell part to our domestic market. If something of this kind is not anticipated we may see a relapse in the price of wheat because of the inability of our commercial bodies to carry the load of excess quantities. On the other hand, by the judicious use of this purchasing power it appears that we may be able to stabilize the price. We can not see that a loss can possibly be made on this operation because we are able to enter into a contract with our allies to-morrow by which they will purchase from us any wheat which we can give them at any price which we see fit to charge. I think we all realize that we must maintain during next year a high level of prices in order to stimulate production, but there is a point in the stimulation of

production where there is a loss of commensurate results in added production and a point where we are trespassing on the rights of consumers. The Canadians have said they would consider a righteous price of \$1.75 to \$2 per bushel. I do not suggest this as the price—it will depend much on the ebb and flow of demand, but we can at least stabilize price by having in our control the great excess quantity of wheat which we can anticipate coming to the market the early part of the season. We believe that by our controlling the balance wheel of wheat at the interior terminals we shall be able to cooperate with the millers in order to assure them a supply and to do away with the necessity of large forward purchases by them. We believe that we will be able to lay before the railroads a simple problem of transporting a given amount of wheat from our stocks in the interior terminals to stocks belonging to ourselves or our allies at seaboard. Thus we will have simplified the transportation problem to a considerable degree.

By preventing the forward sale of flour beyond a short period of, say, 30 to 60 days the speculator will have no opportunity to speculate and hold it against the public, and we should be able to advise the public from day to day what the price of flour should be delivered at various places, making due allowance for normal profits which belong to the trade.

There is one other commodity which I may refer to in this matter of purchase and sale, and that is sugar. At the present moment our sugar refiners are competing with the allied sugar commission for the purchase of Cuban sugar. It must be patent that if we create a sugar commission and if that sugar commission cooperates with the allies and the Cuban producers to take over the Cuban crop at the fixed price that we can affect a considerable saving on the present inflated price of raw sugar, and we can stabilize the price of sugar throughout the whole of next year, because the sugar commission should be able to impose upon the refiners the necessity to read the savings made on raw sugar through to the consumers. As there would be a dominating amount of imported raw sugar it should be possible to maintain a stable price throughout the next year; there would thus be no incentive to speculation, and the saving to the public on its sugar should reasonably amount to 20 to 25 per cent. There can be no loss in such an operation, because one-half of the American sugar supply would be in the hands of the sugar commission, and the sugar commission should be able to make a price to cover the whole of its outlay. In this matter, like that of wheat, we require a certain margin of cash with which to provide for bank credits. So far as I can see now there are only three or four commodities where we are likely to enter actively into the purchase and sale. In the case of wheat and sugar we have taken the opinion of the producer, of the manufacturer, and of the distributor as to the effectiveness of such operation in reducing prices to the consumer, and I feel confident that there is general agreement and entire safety and usefulness and necessity of this course. We should take similar advice before entering upon any other commodity.

In order to carry out such operations as this we must have the operation of section 3 in the bill for voluntary agreements; we must have section 5, by which we can impose a license on refiners and ele-

vators in such a manner that they play their part in this teamwork; we must have the use of section 9, giving the power to buy and sell, and section 19, to finance the trade.

We have asked for an appropriation of \$150,000,000.

• My own impression is that it may prove too little, but it is a sufficient amount of working capital to go ahead with until we can make the case plain to Congress. In any event, we can see no possibility of a loss in these operations. We can see an enormous possibility of gain to our own consumers, if we should have a failure next year, to the whole of our people—absolutely the reaction of the price of wheat instead of the reaction of the value of speculation.

The second great arm of the administration which we hope to set up lies in voluntary conservation throughout the country. This involves legislation only so far as we ask for an appropriation for expenses. Fully 90 per cent of human food consumption in this country is under the control of the women of the country. Therefore if we can mobilize the devotion of our womenfolk to methods of thrift, the elimination of waste, economy in consumption, we shall not only have been able to enormously increase our exports to our allies, but we shall have at the same time reduced our national expenditures and made a large contribution to the savings of our people and their ability to carry a share of our war load. If we can affect an economy of 20 per cent in our flour consumption we shall have increased our wheat exports by 100,000,000 bushels per annum; of 6 cents per day per capita in consumption or waste we shall have saved \$2,000,000,000 per annum available to the support of the Government.

We propose to ask every woman in the country to become an actual member of the food administration; to sign a pledge to accept our direction and advice so far as her circumstances permit. We are formulating a number of committees of the best thought of the country on feeding and domestic economy in order that we may issue our advice in scientific, common-sense, simple, and direct form. We hope to issue to every one of these women a certificate of her membership—a tag which she can display outside of the door to free herself from the persistent inquiry which we hope to install through the Boy Scouts and other associations in the country. We hope that in the mobilization of this great army of food service that we shall have the active support of all of the very able and devoted women's organizations in the country, of the press, and every other agency that can bring this matter home to every household. We hope also to be able to organize the men who are engaged in public service of foodstuffs to become members of the food administration, in the reduction of hotel and restaurant waste, more sane methods of competition, and generally in food conservation, and in this we are confident of the support of the hotel and restaurant owners' associations and of the great voluntary forces in this country who are devoted to the success of this country in the war. This great campaign of publicity will require large expenses for clerical hire and printing; the objects to be gained in national saving are worth it. If we can average a saving of 6 cents per person per day in each consumption or waste we can reduce the national expenditure by \$2,000,000,000, for by these means will we bring the war home three times a day.

The third great arm of the food administration of which we have high hopes is the organization of State food administrations. Many States have already taken the problem actively in hand through the councils of defense or through direct legislation. It is our desire to decentralize our administration into the hands of the State administrations at every point possible. Our theory of administration is that we should centralize ideas and decentralize execution.

There are four great functions in which we hope to have the cooperation of the State administrations. The first of these is the enactment of State legislation in restriction of waste conditions, such as the return of bread to the bakers, the unnecessary destruction of foodstuffs by tradesmen, and many other directions. The second of these functions is that we hope that State administrations will take over and administer the great army of woman service which we propose to center around the National Government. We plan to transmit to State administrations the advice and instructions for them which we believe are nationally and internationally important, and we hope that the State administrations will add the material of local application and decentralize its distribution down through the counties and municipalities.

The third arm of State administration for which we hope cooperation is that the State shall employ its forces in the searching out of hoarders, and that they shall initiate to us information upon which we shall act in the enforcement of the hoarding provisions of the national legislation.

The fourth functions with which we hope for cooperation from the States is that we desire to undertake the study and to develop some strategy in the marketing conditions in the United States, and as a foundation for this we wish to know from every State administration their export possibilities of foodstuffs and their import requirements. We propose to study this data and to place one administration into communication with another with a view of reducing unnecessary complications in transportation and with a view of keeping them in touch with their most reasonable and available market.

It is our hope by acting in harmony and giving publicity to the current prices of commodities in the larger producing centers that we can produce a stabilization of price of those perishables of which there is no direct control.

These are some of the directions in which we hope to move in food administration. This is not dictatorship. This must be an attempt to administer our food supplies more wisely, not only in our own interests but in the interest of our allies.

No food administration can be perfect. No group of men can within two months, which is all that we may be allowed for organization, fail to make mistakes or succeed in every device. No one will undertake this office who had hopes of retaining the esteem and favor of his country. And food administration must be based upon self-sacrifice of somebody, somewhere; and while the vast majority of our people will accept it willingly and with pride as a contribution that they have made in the national cause, yet there will be a minority whose complaints will sound much larger above the satisfaction of the inarticulate masses of the country. We have no hopes of complete success, but we have hope that we shall succeed so far as to

enable this country and our allies to remain constant in this war in the security of the food supply and the maintenance of a reasonable level of prices upon which we can develop the best of our national efficiency. The many thousands of men throughout the country who have volunteered their services without payment and without reward to this service is proof to me in the correctness of my view that this administration could be carried out by volunteers, and that in volunteers we can obtain a level of intelligence and experience totally unobtainable in any other form of service; that we shall have demonstrated that democracy can rise and solve its emergencies in its own defense, and that when the war is finished this volunteer army will have ceased its services and we will have left no imprint on the commercial circuit of this country which can not be removed overnight.

Senator REED. Mr. Chairman, I would like to have the privilege of asking Mr. Hoover some questions at some length, if he can remain and if the committee will indulge me. I have no desire to begin that very pleasant task unless I am permitted to proceed with it in much my own way.

The CHAIRMAN. I will say, Senator Reed, that the request that Mr. Hoover be invited to appear before the committee was referred to the chairman of this committee by Senator Ransdell. I suggested to Senator Ransdell at the time that perhaps Senators, including yourself, would desire to ask Mr. Hoover questions in connection with this proposed legislation. Senator Ransdell reported to me that he submitted the matter to Mr. Hoover and that he very cheerfully consented.

I would like first to ask Mr. Hoover a few questions, and then let the committee, if they desire, ask questions.

Senator REED. Of course, the chairman of the committee and the committee ought to be permitted to ask anything they please and, indeed, I can only proffer my request as an outsider.

The CHAIRMAN. You will be entirely welcome.

Senator REED. I have some views in regard to this matter, but I could not get anywhere unless I was permitted to go along step by step, and possibly when you get through and the other Senators of the committee get through I shall not desire to ask anything.

Senator RANSDALL. I would like to state, Mr. Chairman, that having proffered this request to you, that I laid the matter before Mr. Hoover, and he expressed the utmost willingness to answer the questions, as far as he could, of any member of the committee or any Member of the Senate. His only limitation was that he be permitted to make first his own statement and then after that statement he would stay just as long as was required and come back, if necessary, to answer as fully as lay in his power any questions that any member of the committee or of the Senate desire to ask.

The CHAIRMAN. Senator Reed or any other Senator would be entirely within his rights to ask questions.

Senator RANSDALL. I think so. Personally, I would like to have him go into the subject fully. I think the committee ought to be allowed to ask questions first.

The CHAIRMAN. I want to ask a few questions myself, because there are some points in this proposed legislation that everybody favors. I think it is important to segregate the points of agreement

from the points of disagreement or controversy, and my questions will relate largely to that.

As I understand, Mr. Hoover, a great deal of the proposed machinery is to be a voluntary organization?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. The first point is this, that a good deal of Mr. Hoover's organization, as he has outlined it here, is to be a voluntary organization. Is that correct, Mr. Hoover?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. I do not think that any Member of either branch of Congress objects to all the voluntary administration you may desire. The point is, do you think legislation is necessary to permit people to volunteer in this sort of an endeavor?

Mr. HOOVER. I assume and believe from probably 200 conferences with various branches of the trade that we can effect the majority of our effort through voluntary arrangement, but the one reservation those gentlemen always make is that "While we, the majority or leading men in this trade, are prepared to accept a voluntary arrangement, we must be protected from the minority." We can only protect those gentlemen from the minority by strong legislation. It is not fair to throw them into competition with uncontrolled people.

The CHAIRMAN. Then, the proposition is to permit everybody to volunteer who will volunteer and to coerce those who will not volunteer?

Mr. HOOVER. Yes.

The CHAIRMAN. The next point I wish to bring out is this: About 10 days or 2 weeks ago, you may remember, Mr. Hoover—I remember it and other Senators I am sure will remember it—an article appeared in the Washington papers, and I presume in other papers in the country, stating that the points involved in the proposed food legislation were these: First, to enable the United States and allied Governments to cooperate in making purchases of supplies from the world markets and to avoid competition. Now, that is one of the objects, is it not?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. I think nobody will object to that.

The next point was that it was the purpose to punish speculators and manipulators of food supplies. That was one of the points in this press dispatch, and that is one of the objects, is it not?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. I mention that because I do not think anybody would object to that.

You are aware, Mr. Hoover, that section 10 of House bill 4188, as amended by the Senate, contains what is known as the Poindexter bill, penalizing the acquiring, storing, and holding of necessities, withholding the supply from the public or affecting the price. You are aware of that?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. That corresponds very largely with sections 6 and 7 of this act. Do you not think that very largely meets that necessity?

Mr. HOOVER. It is very much on the same order, but Senator Poindexter's amendment required a little bit of alteration in order not to disrupt trade too far.

The CHAIRMAN. I think that the McCumber amendment will probably meet that.

Senator REED. Do you think it is too radical?

Mr. HOOVER. There are some points touched which might throw trades into a panic.

The CHAIRMAN. Do you think that is so with the McCumber amendment?

Mr. HOOVER. I did not follow that. The sections drafted in this bill have been very carefully safeguarded in that particular.

The CHAIRMAN. I notice in your statement you laid a good deal of stress on section 11, which authorizes the President to regulate the boards of trade and also to close them if necessary. The Nelson amendment to House bill 4188 conveyed that power. You are familiar with that, I suppose?

Mr. HOOVER. Yes.

The CHAIRMAN. In the statement I referred to it was stated that the purpose of this legislation was to prevent extortionate prices, to prevent starvation; that it would not hurt the farmer, that it would help the consumer, and that it would punish only the speculator. I presume in a general way those are the cardinal points of the proposed legislation?

Mr. HOOVER. That is rather overdrawn; a newspaper form of expression, I should think.

The CHAIRMAN. One reason I am bringing this out is that I do not think anybody would object to the points represented in these press dispatches as being the points involved in the legislation, and I think probably the country's view of the legislation has been based on these press reports, which are, of course, largely generalities, and I want to come to particular cases in a few minutes.

Mr. Hoover, the European countries consume more than they produce; they are importing countries?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. The United States produces more than it consumes and is an exporting country?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. Do you not think that the difference in the situation calls for different treatment?

Mr. HOOVER. Yes, sir. And the conception of the administration is therefore based on an entirely different footing in consequence.

The CHAIRMAN. Do you not think we will have more foodstuffs in this country on account of the war than we would have had if we had not gotten into the war?

Mr. HOOVER. That is very possible; but we will still have a very inadequate supply, considering the demand.

The CHAIRMAN. If we had not gotten into the war, however, we would not have had so large a food supply, and yet nobody would have thought of legislating a good many of the things in this bill into law. Of course, I understand that is due to the fact that we want to help the allies. I suppose that is the reason, is it not, that we resort to these extreme powers, notwithstanding that we have more food than we would have had if we had not gotten into the war?

Mr. HOOVER. I take it we have resorted to this form of legislation with a view of not only providing more food but protecting our own population.

The CHAIRMAN. And yet we would not have done that if we had not gotten into the war?

Mr. HOOVER. That is rather argumentative, is it not, Senator?

The CHAIRMAN. I do not think anybody would have suggested this legislation if we had not gotten into the war.

Senator KENYON. Have not most political platforms denounced the high cost of living in the past, and have they not all promised that something should be done?

The CHAIRMAN. I think everybody denounced it and nobody remedied it.

Mr. HOOVER. I think even if we had not gotten into the war we would have been up against this enormous vacuum in Europe, and the probability is we would have been driven to some legislation even though we were at peace.

The CHAIRMAN. Mr. Hoover, section 1 defines as necessities all food, feed, and fuel, and articles required in the production of such necessities. Fuels would embrace coal and oil and gasoline?

Mr. HOOVER. I must say at once that I am not concerned with the fuel provisions in the bill. I am only concerned with the food provisions.

The CHAIRMAN. I am glad to hear you say that. There is a good deal in this bill that nobody is concerned with. It seems to me so. But fuel would embrace, as you understand, coal, oil and gasoline, and timber suitable for fuel?

Mr. HOOVER. I have no idea. I would not want to define what "fuel" means, in legal terms.

The CHAIRMAN. You think it is too indefinite to admit of distinct definition?

Mr. HOOVER. I would not want to say. It seems to me that is out of my province entirely.

The CHAIRMAN. This bill says food and feed and articles required in their production. Would you understand that to mean farm machinery?

Mr. HOOVER. I must say here I am not a lawyer, and as I understand the bill, there is nothing in the operative part of the bill that provides for carrying out action with regard to agricultural machinery.

The CHAIRMAN. It says, though—foods, feeds, fuels, and articles required in their production. Would you consider that to embrace farm machinery, which would certainly be required in the production of foods and feeds.

Mr. HOOVER. That expression would embrace that, but I see nothing in the operative side of the bill that would enable anything to be done in that direction.

The CHAIRMAN. Your idea is to deal with the farmer's production and not the things he uses in their production?

Mr. HOOVER. So far as I can see, yes.

The CHAIRMAN. Section 10 empowers the President to take control of all factories and all mines and other plants necessary to the production of these defined necessities. Do you think that would include coal mines?

Mr. HOOVER. That coal question, I must again repeat, does not interest my side of the bill.

The CHAIRMAN. I understood that, Mr. Hoover, but we would like to have your views. You are a man of great experience in matters of administration and understand the provisions of the law, because you seem to have given it a great deal of careful attention. What manner of mines would you think that did relate to?

Mr. HOOVER. I assume that relates to coal mines.

The CHAIRMAN. Would you think that related to oil wells producing fuel oil from which gasoline is produced?

Mr. HOOVER. It might, but I do not think I really ought to be called upon to be examined on sections of the bill with which I have no concern.

The CHAIRMAN. If you insist upon that exemption, we will be very glad to accept your wishes in the premises, but I did not know before your coming that you would limit your statement to that.

Senator BRADY. The only part of the bill that you are interested in is the part relating to the control of the production and distribution of food?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. I am coming to that.

Senator REED. Can not we get at this point who is responsible for the other parts of this bill?

The CHAIRMAN. If he knows, I would be very glad to have him state it.

Senator BRADY. If the bill is enacted into law, there necessarily will have to be different departments, and, as I understand, Mr. Hoover will simply have charge of the food department.

The CHAIRMAN. Mr. Hoover, do you happen to know who could enlighten us on the subject of mines and factories?

Mr. HOOVER. No. It seems to me you would have to make some request from the administration itself.

The CHAIRMAN. I will ask you this—you perhaps will make the same answer, but I wish to ask it in order that it may be of record.

Senator WALSH. I will say that Mr. Peabody, who is chairman of the subcommittee on coal, appeared before two committees of the Senate and gave some very extensive and accurate information concerning the fuel situation.

The CHAIRMAN. Did he commit himself to this proposition, if you remember, Senator?

Senator WALSH. No. I talked with him about this provision in the bill. His idea was originally that there should be a separate bill, something like this, dealing with the subject of fuel. I asked him yesterday over the telephone whether he was of the same idea, and he said to me that he did not see any reason why, when the whole power was put into the hands of the President, the two subjects should not be covered in one bill—the fuel to be administered by one organization and the food provision by another—but I simply volunteered at this time that Mr. Peabody would probably be able to give you the most accurate information concerning the fuel feature of it, although I do not think that he was in any way concerned in the preparation of this bill.

The CHAIRMAN. Is that George Foster Peabody?

Senator WALSH. It is Francis S. Peabody.

Senator BRADY. Mr. Peabody certainly gave some very valuable information to our committee, and, I think, it would be well to have him heard on this bill.

The CHAIRMAN. We will take that under advisement.

Senator REED. May I ask what committees Mr. Peabody appeared before and if his testimony was taken down?

Senator WALSH. Yes. The advisory commission has appointed a large number of subcommittees dealing with various commodities. They have appointed a subcommittee upon coal. The chairman of that committee is Mr. Peabody, and he is here in the city now. His purpose, as he expressed it to us, was to spur the production of coal and insist in every possible way in its distribution.

Senator REED. Senator, you did not understand my question. I understood you to say Mr. Peabody had appeared before two committees of Congress. I simply wanted to know what committees he appeared before.

Senator WALSH. He appeared before the Committee on Mines and Mining and before the Committee on Public Lands.

Senator REED. Was his testimony taken down?

Senator WALSH. Yes.

The CHAIRMAN. I will make this observation, that section 10 does empower the President to take charge of and operate all factories and mines employed in the production of necessities. It also empowers the President to prescribe the compensation of all employees in such mines and factories. Are you familiar with that provision, Mr. Hoover?

Mr. HOOVER. I wish to say that, so far as the food administration itself is concerned, the whole of that section I consider involves a question that could be quite well deferred to later legislative action. It would apply to the mines question. I do not profess any knowledge as to the situation in the fuel trades, but, so far as the food questions are concerned, I am under the impression that we can carry this work out, at least, to a point where we can demonstrate for the other steps.

The CHAIRMAN. What I am trying to get at is, Mr. Hoover, to show what we could eliminate from this so as to get speedy action on the points most essential, and on which there is the largest consensus of agreement. In connection with section 9, you stated that a good many people were under illusions in regard to that section of the bill, and I confess I am either under illusions, or somebody else is, because you stated it did not relate to production or producers. As I read section 9, it empowers the President to produce necessities. It is not limited to buying and selling, as you seem to think, but it empowers him to produce necessities.

Mr. HOOVER. I imagine that is rather wide drafting. That is the only impression I get out of it.

The CHAIRMAN. Do you not think it could be eliminated?

Mr. HOOVER. If it is going to be interpreted to mean actual agricultural production it ought to be limited in some way.

Senator REED. Senator Gore, I have the advantage of having the bill before me. Will you let me read to Mr. Hoover, who seems to be in a little doubt in regard to the meaning of this language. This section scanned—I mean by “scanning” that I have eliminated the surplusage.

The CHAIRMAN. Yes, sir. I would like to have the clause in relation to production read, and then I would like to ask another question.

Senator REED (reading):

That to carry into effect the purposes of this act the President is authorized to purchase; provide for the production or manufacture of necessities; to furnish the whole or any part of such necessities in such quantities and at such times as shall be determined by the President to be reasonable. Upon failure of the person—

Senator WALSH. You have not read it, Senator Reed; you must read the verb "and to require any person having the control of any necessities to furnish the whole or any part of such necessities."

The CHAIRMAN. That is what I wanted to ask the question about.

Senator REED. I beg the Senator's pardon; I did not understand the Senator.

Senator WALSH. You read, "to sell them," and then you continued "to furnish the whole or any part of such necessities."

Senator REED. Or the words "to require."

Senator WALSH. "To require any person having control to furnish them."

Senator REED. That is my meaning.

The CHAIRMAN. I think that puts a very different meaning on it, and I want to ask Mr. Hoover a question about it, because he said he thought the producers were expressly excepted from the operation of this bill. If you read section 9 you will see that the President is given power to compel any farmer who has more wheat in his bin than is required for his family consumption to sell it. I would like to have you look at it and see if it is not the fact.

Mr. HOOVER. Well, it was the intention, so far as I understood, to provide that nature of exceptions.

The CHAIRMAN. What I am getting at is that a good deal of the opposition to this bill is just on such points as those, and I think your remark that it was wide drafting was very pertinent, because I do not think anybody intends to give anybody power to compel the farmer to sell what is in his crib.

Mr. HOOVER. No.

The CHAIRMAN. I think section 9 gives that, and I would like you to read it.

Senator SMITH of South Carolina. You mean this part: "and to require any person having the control of any necessities or any storage space suitable for the storing of necessities to furnish the whole or any part of such necessities or storage space to the Government in such quantities, at such times, and at such prices as shall be determined by the President."

The CHAIRMAN. That is a point; there are three places in here in which price fixing is authorized. I want to reach that later. I think later on you will see, Senator, it does not apply to a man and his dependents.

Senator REED. Let me interject. In order to get this all in, following the language just read by Senator Smith is this: "Upon failure of the person to comply with such requirement, the President is authorized to requisition and take possession of any such necessities or storage space, and to pay for them at the price so determined. If

the price so determined be not satisfactory, etc., then the individual may sue."

Senator KENYON. Mr. Chairman, we have amendments to other sections excluding the question of the farmer. I have prepared one for this section. There is not any doubt that in this section the right is given to take over all the products of the farmers, and that I do not think is the purpose of this bill at all. That is why I have prepared amendments similar to the provisions of section 6.

Senator REED. Then in order to get beyond any doubt, I understand that Mr. Hoover does not request or desire the enactment of section 9 in its present form?

Mr. HOOVER. Probably with a view to protecting the farmers and possibly to limit the drafting, it needs some rearrangement; but the sense of it, the right of the Government to buy and sell in the market, I think is fundamental.

Senator REED. To buy and sell in the market; but this goes further than that, it is the right to take in the market. What do you say about that, Mr. Hoover—giving authority to take the farmer's crop from his crib, from his bin, or from his house?

Mr. HOOVER. So far as I am concerned, I would not attempt to execute that provision.

Senator REED. If you would not attempt to execute it, it would be a useless thing?

Senator KENYON. It is not the theory of this bill.

Mr. HOOVER. So far as our present situation appears; we might drift into a situation any time during the winter when it might be vitally necessary.

Senator REED. But there would be time for action then, would there not?

Mr. HOOVER. Yes, sir.

Senator REED. I want to know if you affirm that or deny it?

Mr. HOOVER. In discussing section 11, I think it was—the section relating to the taking over of manufactures, etc., I made the statement that we did not propose to requisition materials. We may need the right, we may possibly have to have the right to requisition storage space.

The CHAIRMAN. But you do not contemplate any extremity, under any circumstances, which would lead you to insist upon the power to take wheat out of a farmer's barn that he had produced?

Mr. HOOVER. No, no; there is no intention of that kind in the whole legislation.

The CHAIRMAN. That authority is conveyed by section 9; that is the reason I make that comment.

Senator KENYON. Before you leave that, Mr. Hoover, if section 9 had a proviso something like section 6 or section 5, covering that general question, it would eliminate this difficulty, would it not?

Mr. HOOVER. I think it would.

The CHAIRMAN. Mr. Hoover, in section 3 governmental control of necessities is provided for, extending to and including all the processes, methods, activities of, pledging, financing, and consumption of necessities. Would that authorize the taking charge of patents and private formulas for manufacturing necessities?

Mr. HOOVER. I should not think so.

The CHAIRMAN. The language seems to include those things.

Senator REED. May I ask Mr. Hoover at this point whether he desires to do anything of that kind or desires any such power?

Mr. HOOVER. I have no desire to take over patents or processes.

The CHAIRMAN. Now, Mr. Hoover, the word "pledging" is used, the pledging of necessities or articles required in the production of necessities. Under that if any farmer wanted to give a mortgage on his crop or team; or if any factory, as defined in section 5, should desire to execute a mortgage or lien, or any mine or oil company, the pledging of their property would be subject to this governmental control of necessities, would it not?

Mr. HOOVER. To start with, I do not see that any of that power would be exercised except in special cases on declaration from the President. One is not going to start out and put the whole trade of the country under this, but only such trade in such particulars as are vitally necessary to correct certain evils.

The CHAIRMAN. The point I was trying to get at, Mr. Hoover, is whether we ought not to limit this to the powers really required, and not grant universal power such as would be involved in this pledging, which is disquieting to business.

The word "financing" is used. Under that, strictly interpreted, no bank or trust company in the country could finance any farmer, any factory, or any man in the production of any necessary or article essential to the production of necessities without the approval of the Government.

Mr. HOOVER. I understand there are no penalties provided in this clause at all.

The CHAIRMAN. There is no penal clause in this, but the control is established without any sanction; that is the point.

Mr. HOOVER. Yes; it gets into legal difficulties, which, I confess, are beyond me.

Senator KENYON. That is affecting public interest.

Mr. HOOVER. It is simply a declaration, as I understand it, that it is a matter of public interest.

The CHAIRMAN. I was coming to the matter of public interest in a moment. Governmental control is established over consumption. That would enable the President to regulate consumption in this country as they regulate it in Europe, would it not—to prescribe three courses at a hotel, a meatless day, etc.?

Mr. HOOVER. I had no idea of that sort. My impression is that this is only a declaration of public interest in the matter as a basis for voluntary agreement.

The CHAIRMAN. Yes, sir; and this would be purely voluntary. You have disclaimed being a lawyer, so I will not ask you about the effect of "public interest." As I understand it, that is to fix the character of these activities so that the Government can control them.

Mr. HOOVER. Yes, sir.

The CHAIRMAN. I would like to throw in at this point that a legislative body can not regulate the activities of a public character. That was decided by the Supreme Court.

Senator KENYON. What case was that?

The CHAIRMAN. The case of *MacFarland v. The American Sugar Refining Co.*, a recent opinion. The holding was that it was a matter of evidence, and the character of the business was not determined

by legislation but by what it does. But, of course, if this is to be voluntary there can not be any objection.

Mr. HOOVER. Is not that the provision of the section, Senator, that it is a declaration of public interest, and then it states that the President is authorized to enter into agreements to carry these matters out, and limits it to voluntary action?

The CHAIRMAN. It does that, Mr. Hoover, but of course the lawyers will see that this expression "affecting public interest" is the peg on which a number of other sections are to be suspended.

Senator REED. Mr. Chairman, the statement of Mr. Hoover to the effect that this section and the powers conveyed in it are only to be carried out by voluntary arrangement is very interesting. I would like to ask if Mr. Hoover thinks that that is all that is necessary.

Mr. HOOVER. It gets beyond me into the legal question of the construction of the bill.

Senator REED. No, Mr. Hoover; this is not a legal question I am asking. Assuming you are right in the construction, namely, that there is no intention to convey any power to enforce section 3 except in so far as it may be voluntarily complied with, is that satisfactory to you?

Mr. HOOVER. Yes; except that Senator Gore just mentioned that the rest of the bill may hinge, from a legal point of view, which I do not understand, I confess, on some of the expressions of that clause, and it seems to me it is beyond my depth.

Senator REED. I understand, but there may be other clauses in the bill that do undertake to enforce this by penalties and pains—to enforce the powers contained in section 3. You do not think that is necessary. You think that can be carried out by voluntary arrangement?

Mr. HOOVER. Not wholly. As I understand, section 3 is to establish a basis of voluntary arrangement, but the bill proceeds then with methods of enforcing certain regulations which are beyond voluntary possibility.

Senator REED. That is so; if they do do it voluntarily, you will not enforce any law against them; but if they do not do it voluntarily, you will then enforce pains and penalties against them, and you call that voluntary action, Mr. Hoover?

Mr. HOOVER. Well, that is a matter of argument.

Senator REED. No; that is a matter of fact.

Senator WALSH. I want to suggest to you that in most courts they have a rule that one counsel must examine a witness at a time. It seems to me it would be an excellent rule here, and that it would be well for the chairman to continue his examination.

Senator KENYON. It seems to me to be assumed here by the Senator from Missouri that Mr. Hoover has said this section relates only to voluntary action. I think that section is of great importance on the question of public interest.

The CHAIRMAN. Undoubtedly.

Senator KENYON. And a lot of other sections hang on this being a matter of public interest. Mr. Hoover is not a lawyer, and has said so.

The CHAIRMAN. Section 3 is the key to the whole business. I think it undertakes a vain thing, but it is essential to the whole act.

Senator REED. If Mr. Hoover, who is to be the administrator of this bill and who has expressed his satisfaction with it, says that this section only relates to voluntary action, it must follow that he would be satisfied with a bill that would authorize voluntary action. That is the point of it.

Mr. HOOVER. I would like to repeat that I made the reservation that while this section relates to voluntary action, it has legal phases which affect the rest of the bill, and which I do not consider myself capable of discussing. Therefore, I do not accept that limitation which the Senator desires to put on record.

Senator KENYON. Nor is it a question of what Mr. Hoover thinks about it; it is a question of what Congress thinks about it.

The CHAIRMAN. Certainly. We can change the legal construction if that would answer his requirements.

Senator CHAMBERLAIN. You understand, Mr. Hoover, that the bill is a compromise of the conflicting views of the members of the House committee?

Mr. HOOVER. I understand so.

The CHAIRMAN. Do you think the House committee had very much to do with it, Mr. Hoover?

Mr. HOOVER. I understand the House committee considered it two months in the most earnest debate.

The CHAIRMAN. I think it came to both Mr. Lever and myself in this shape.

Now, I want to ask about section 12, and then I will be through. Section 12 provides for the fixing of a minimum price, and further provides that in case imports come in at a price so low as to threaten the minimum price so fixed the President can fix an import duty on such imports. Do you think that necessary, Mr. Hoover?

Mr. HOOVER. I assume that provision has been worked out with a view to protecting the Government against financial loss.

The CHAIRMAN. That is undoubtedly true, and to raise the price of necessities that are coming in too cheap, to lessen their supply.

Mr. HOOVER. Yes, sir.

The CHAIRMAN. The reason I asked that is to lay a basis for a further question in regard to section 4. Section 12 authorizes the imposition of this duty in order to lessen the supply and to protect the price. Section 4 makes it a crime for anybody to limit or lessen the production. The President is empowered to levy a tax in order to limit the supply and keep the price up, but by section 4 it is made an offense for any individual to limit or lessen production. Do you not think there is a little inconsistency in that?

Mr. HOOVER. It strikes me that without that you are going to drive the Government into a loss on guaranties under certain contingencies.

The CHAIRMAN. I understand that perfectly well. It is to prevent the price going down, which would, of course, prevent people from getting things cheap; but the point is to protect the Government in guaranteeing the price. But if the Government has the power to limit supplies, why should it be made a crime for any farmer to produce less one year than he did the year before, because the price did not suit him?

Senator KENYON. Is there any penalty provided?

The CHAIRMAN. Section 17 contains a general penal clause which would relate to it in a way.

Senator KENYON. I would like to ask Mr. Hoover why there is no penalty attached to section 4. Do you know?

Mr. HOOVER. I assume the general penalty clause covers it.

Senator POMERENE. May I ask Mr. Hoover a question right here? The chairman has referred to certain apparent inconsistencies in this bill. May I ask whether the Committee on Agriculture has taken this up and considered it with a view to eliminating those inconsistencies or correcting them?

The CHAIRMAN. No, sir; it has not. The Committee on Agriculture reported this bill without amendments, because it has been drafted by those chiefly concerned in it, and the committee wanted the draft to have a fair chance for its life in the Senate.

Senator KENYON. And was absolutely divided on the bill.

The CHAIRMAN. And was divided as to the merits of the bill itself.

Senator POMERENE. Let me ask this further. I take it, then, there were two distinct views in the committee?

The CHAIRMAN. I believe it was two, Senator.

Senator POMERENE. Did these so-called factions of the committee attempt to reconcile their own particular views so that they could give the Senate as a whole the benefit of what might be the view of any particular portion of the committee?

The CHAIRMAN. No, sir; they did not. I may say the members were so radically divided that a compromise was impossible without eliminating a good many features of the bill, and those who were opposed to those particular features were not willing to withhold from the Senate an opportunity to consider this measure in its uttermost detail as prepared by the administration. They wanted to give the administration's draft a fair chance for its life.

Senator ROBINSON. Did the committee make a recommendation in its report?

The CHAIRMAN. No, sir; it did not; it reported it without recommendation. That was the motive of the committee. Nobody, however much opposed to the bill, was willing to be an obstruction; they reserved the right to vote as they pleased in the Senate.

Senator VARDAMAN. Then, Mr. Chairman, this bill is not the result of a compromise in the Senate?

The CHAIRMAN. No, sir.

Senator BRADY. It may have been in the House committee, but not in the Senate committee.

Senator REED. Is it not a fact that the bill was drafted in the departments and sent to the House and Senate in substantially this form, and it came out of the committee substantially as it went in?

The CHAIRMAN. I might say that the changes made by the House committee, so far as they have been called to my attention, were in the elimination of the mixed-flour sections and related sections. The maximum price has also disappeared from that. The standardization feature and the license feature have disappeared from the bill also.

Senator REED. No; the license feature is in here.

Senator CHAMBERLAIN. Oh, there are a great many changes from the bill as it came from the department.

The CHAIRMAN. Yes; principally the elimination of the standardization feature and the mixed-flour provision, but I take it there have

been a good many changes in details. I may say it has expanded with every draft I have seen, generally speaking.

Senator POMERENE. Would the chairman have any objection to pointing out what the lines of difference were between the several members of the committee?

The CHAIRMAN. Well, Senator, if you care to have me do that; but I hardly think you would want to delay this proceeding here. Some of us thought it would have to be based on the commerce clause of the Constitution. I think that was the fundamental proposition. Others thought it was too much power to vest in anybody; that the business organization of this country was based on the experience of five or six centuries; that the best talent and energies had been concentrated in its building up, and if the power was vested in anybody to assume control and they did assume control and assume those powers, the business organization of the country could come down with a dull thud. And they thought, who held this view, that if the powers were vested and were not exercised it would still occasion a degree of anxiety, and that would have a detrimental instead of a beneficial effect. I think those are the cardinal points. A great many did not think you could compel people to part with their property except for public use, and this undoubtedly assumes the power to take private property for private use. That was the constitutional and fundamental objection.

Would you insist, Mr. Hoover, on this prohibition against the limiting or lessening of production? I do not mean of the supply, but whether you would not be willing to allow a man to exercise his own judgment about that, the farmer, for instance.

Mr. HOOVER. Well, if you wish to put such conditions on the minimum guarantee to the agricultural class as may throw the Government into financial loss through competitive imports. It is probable that anyone setting that minimum guarantee would, in the interest of the Government as a whole, want to set it at a point which would prevent such a loss, and you would not get the beneficial result to the farmer that you would if you were protected against such a loss by competitive imports.

The CHAIRMAN. That point is perfectly clear, and the object is perfectly clear. The point is, if the Government reserves the power to itself to limit importation, and therefore limit the supply, if the right ought not to be reserved to the citizen to limit production.

Mr. HOOVER. It seems to me that involves the whole debate on protection and free trade.

The CHAIRMAN. I do not believe you see the point. I am conceding the point, for the sake of the argument, that the tax on imports is entirely justified, but ought not the citizen have the right to follow the example of the Government and lessen his production if he felt he was producing at a loss?

Mr. HOOVER. I do not assume there is any desire to limit the action of the individual producer in any particular.

The CHAIRMAN. But it says, "Any person who lessens or limits production."

Senator WALSH. Let me understand. Is it the understanding of the chairman that it makes it penal on the part of the farmer to sow only half as much as he sowed before?

The CHAIRMAN. I do not know whether it would or not; section 17 is a general penal clause.

Senator KENYON. There is absolutely no penalty to that section.

Senator REED. If the thing has no penalty and is not intended to be enforced, what is it in here for?

Senator KENYON. You will observe by examination of section 4 that it refers to several sections which carry penalties. I have examined that very carefully to see whether this carries a penalty, and I do not see that it does unless it comes under section 17. But section 17 does not apply, in my judgment.

Senator REED. If it is unenforceable, what is it in the bill for?

Senator KENYON. Only as a warning; it can not be anything else. I do not think it covers what the chairman claims for it; that it prevents a farmer who can not produce at a profit from stopping. You can not stop him.

The CHAIRMAN. I am glad to hear you say that. It ought to be fixed so that there would be no doubt about it.

Mr. HOOVER. Possibly it ought to be amended to except the farmer again.

The CHAIRMAN. I have just two other questions. The English Government established three courses, did it not, for dinners, or meals?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. Did they not abandon that because they found that under that declaration people would eat only meat and bread and things they were trying to economize on and cut out the side dishes?

Mr. HOOVER. Yes; and they abandoned it in favor of an absolute ration and definite control.

The CHAIRMAN. To each individual?

Mr. HOOVER. Each individual.

The CHAIRMAN. Do you think that is better?

Mr. HOOVER. That is better, but we do not propose to go to those extremes in this country except purely as a voluntary action on the part of hotels and restaurants.

The CHAIRMAN. They also established one meatless day a week?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. And abandoned that because the increased consumption of bread more than offset the increased production?

Mr. HOOVER. Yes, sir. Just at that moment they wanted to increase the consumption of meat, and therefore they changed their policy.

The CHAIRMAN. Do you know whether France last year established a price on wheat of something like \$1.43, absolute price?

Mr. HOOVER. They established a price of 37 francs a hundred kilos.

The CHAIRMAN. It is your understanding it resulted in a diminution of the production?

Mr. HOOVER. No; the diminution in the production was not due to that, but due to harvest failure.

The CHAIRMAN. It has been attributed in the papers to that, that the peasants did not plant.

Mr. HOOVER. Oh, no.

The CHAIRMAN. Are you familiar with the fact that the English Government fixed a price on dairy products and that it resulted in the dairymen butchering their milk cattle?

Mr. HOOVER. The English Government did the foolish thing of fixing a maximum price. The maximum price has been proved a failure every place it has been attempted to apply it.

The CHAIRMAN. It is impossible in the nature of things, is it not?

Mr. HOOVER. Impossible in the nature of things.

Senator KENYON. I would like to ask Mr. Hoover, and the chairman, too, Does the chairman claim that under this bill Mr. Hoover, if he is food administrator, could determine what people should eat in this country at their meals and how many meals a day, and things of that kind?

The CHAIRMAN. He undoubtedly could, under section 3. There is no penalty attached, however, and if a man ordered a T-bone steak and Mr. Hoover ordered him to eat a round steak he would not have to comply with Mr. Hoover's directions.

Senator KENYON. Could Mr. Hoover do that under section 3?

The CHAIRMAN. Undoubtedly.

Senator KENYON. Suppose he ordered him to do it and he did not do it, what would happen?

The CHAIRMAN. They would just be left to debate that among themselves.

Senator REED. I am not sure of that, Mr. Chairman.

The CHAIRMAN. I am not sure of it either. But there is no penal clause involved in this section.

Senator REED. I am very sure it is in here, and I want to inquire now of the Senator from Iowa what it is in here for if it is not to be given any vitality or source. There is in here the language—

The CHAIRMAN. I think it would be well to read section 3 into the record at this point.

Senator REED (reading):

That there is hereby established a governmental control of necessities, which shall extend to and include all the processes, methods, activities of, and for the production, manufacture, procurement, storage, distribution, sale, marketing, pledging, financing, and consumption of necessities.

The CHAIRMAN. That undoubtedly involves the power. Not only that, but he could compel a farmer to plant corn instead of cotton or corn instead of wheat.

Senator KENYON. It establishes simply a governmental control of necessities.

Senator REED. Of consumption.

Senator KENYON. Yes; I will include that; and also affects them with a public interest, but if you stop there and do not go further it does not amount to anything.

Senator REED. Then what is it in there for?

Senator KENYON. I do not think the consumption of necessities need be in there at all, but the section is drawn on the theory that the balance of the bill relates back to and is hung on this section. If you do not in the specific section refer to these different things in section 3, then they do not amount to anything.

Senator REED. Very well. Now, just to close this little debate between us, of course if it is not intended or desired to control con-

sumption of these necessities then that phrase ought to go out of the bill, and I understand the Senator from Iowa thinks so, too.

Senator KENYON. I would not have any objection, personally, at all, to seeing that go out of the bill. I do not think the bill is intended to do that at all.

Mr. HOOVER. I would have to consider the matter looking at it from the point of view of actual administration, as to whether we have any interest in consumption. Consumption is not necessarily limited to the question of eating alone.

Senator KENYON. Do you think you have a right, under this bill, to say to Senator Reed that he shall eat only two meals a day and only have a soup bone at one of them?

Mr. HOOVER. No; I do not consider we have any such right, or should have. We should have the power, however, to say to Senator Reed that we would like for him to consume a soup bone a day and only eat two meals.

Senator REED. You have that right now, without any law. You have a right to make that request across the table, and it would be courteously received.

Mr. HOOVER. It seems to me it should be established as a matter of law that we have a right to enter into agreements of that kind.

Senator REED. Agreements with people?

Mr. HOOVER. Yes.

Senator REED. There would be no question about that, either.

Senator KENDRICK. There is more or less widespread anxiety on the part of the producers of the country against the possibility of fixing this maximum price which you spoke of a moment ago, and as I understand from your outline of this about the only price fixing that you have anticipated is one to prevent vicious speculation, is it not?

Mr. HOOVER. That is all, and that does not involve fixing prices; it as a rule involves fixing of profits and remunerations.

The CHAIRMAN. Under section 9 it gives the Government the power to take out of the hands of the farmer any supplies that he has on hand in excess of his actual needs for his own consumption, and to fix a price on it. Now, there ought not to be any doubt about that. Of course, it gives the right of appeal to the courts.

Mr. HOOVER. There ought to be a provision excepting the farmer.

Senator BRADY. You would be perfectly willing, Mr. Hoover, to have such a provision in the bill? You approve of it?

Mr. HOOVER. Oh, absolutely.

Senator KENDRICK. That is to say, you are willing to eliminate him entirely from the effects of the bill?

Mr. HOOVER. Yes. I doubt whether that clause could be read that far, but even if it could it might be well to protect the farmer from it.

The CHAIRMAN. Is there any question on the part of members? If not, Senator Reed or any other Senator present will be given the opportunity to ask Mr. Hoover any questions he may desire.

Senator REED. If I am to proceed, Mr. Chairman, I would like to be allowed to proceed without any interruptions, without any suggestions from Senators.

The CHAIRMAN. The chairman has the power to enforce that rule, but has no power of penalty. So we will proceed under section 3.

Senator REED. Mr. Hoover, if I understand correctly, you have no desire to regulate by any law what the people shall consume on their tables?

Mr. HOOVER. Not at all. We have no desire to ration the American people except so far as they voluntarily fall in with our scheme.

The CHAIRMAN. Will you inform me, Mr. Hoover, whether or not the revolution in Russia occurred two days after the ukase order installing the bread ticket was issued?

Mr. HOOVER. No.

The CHAIRMAN. I was advised that that was true—that the revolution in Russia came two days after that order instituting the bread ticket.

Mr. HOOVER. The order instituting the bread ticket, I may say, was undertaken in Russia about nine months too late. The food situation had already collapsed, and the bread ticket had nothing to do with the situation.

The CHAIRMAN. I may say this man told me a great many people thought it precipitated the revolution. Of course, it was not the cause, because the roots were much deeper than that.

Mr. HOOVER. The cause was the lack of food, not the bread ticket.

Senator REED. Then, since we have gone into that side matter for the instant, you do not agree to the statement generally that there are 400,000,000 bushels of wheat in Russia that can not get out to the countries of the allies?

Mr. HOOVER. There is nobody in this world who knows what the agricultural situation is in Russia. There are no adequate statistics in Russia as to their production. You have nothing to go on but hearsay of different people. Some of them say there is no grain in Russia; others say that there are large quantities of grain outside of the transportable area.

Senator REED. That being the case, your statement of a moment ago that the trouble in Russia arose because there was no food would have to be somewhat modified, because nobody knows anything about the situation, as a matter of fact?

Mr. HOOVER. The fact of the case is that there was no food in the principal cities of Russia. Whether it was due to a lack of production or a lack of transportation is immaterial as to whether it was an inspiration to food riots.

The CHAIRMAN. Mr. Hoover said that the bread ticket came nine months too late in Russia. If the bread had not come that would not have averted the revolution. You have no idea of a bread-ticket policy in this country?

Mr. HOOVER. No. A bread ticket is only a symbol of food control, food control in desperation. If Russia had had an adequate food administration nine months before the revolution, those food riots would not necessarily have occurred.

Senator REED. Of course now, to clear this up and get away from it and drop it, you do not undertake to say, from your knowledge, that the Russian revolution occurred over the question of food at all, do you?

Mr. HOOVER. I say that the riots on which the revolution was founded were solely bread riots—food riots. The revolution had deeper seats than that, but that was the actual point of contact.

Senator REED. Of course, it had deeper seats, because the whole army practically revolted, and the army was being fed.

But, passing from that and coming back to the other question, you say you do not desire to ration the American people or regulate the food which shall go upon their table except in so far as they shall voluntarily comply with requests. You would therefore, I take it, not object to taking out of this bill anything which might be reasonably construed to include or give the power to ration the people?

Mr. HOOVER. Well, it seems to me that that question may lead very far afield. We have no desire to limit or stipulate the character of food by law which a man shall consume; but, on the other hand, we do want to control, and the sole object of control is to control the distribution of the country. That may in some way affect the consumer; that we can not tell.

Senator REED. I do not want to get away from the question. Of course, you may, in the exercise of the other powers of this bill, do something that will increase the demand or lessen the supply, or increase the supply and lessen the demand. I am not dealing with those indirect processes of regulation, but I again ask you now if you would object to taking out of this bill any provision which in and of itself would authorize you to specify what the American people should eat at their tables?

Mr. HOOVER. Not if any provision is not fundamental to the other objects of the bill, solely disassociated from the question of eating.

Senator REED. You mean, if that power is not necessary to the other powers of the bill?

Mr. HOOVER. Not necessary to the other operations under the bill, such as the controlling of middle men, etc. It is just possible that some power given for the control of middle men might be read, under extraordinary conditions, to apply to the consumer. And if we do write this out, so far as the consumer is concerned, it may go back and destroy the whole organization we wish to set up; and therefore I do not wish to be committed until I see what the point is. I might consider it in view of what we hope to do.

Senator REED. Congress must now consider, Mr. Hoover, the question of the granting of powers, and it must look into the future also somewhat. I do not believe there ought to be any confusion between us. I am eliminating from my question now any such indirect effect upon the tables of the people as might arise through the increasing or lessening of the supply or with reference to regulations touching the sale of commodities and coming simply to the one question: Are you willing to have eliminated from this bill those clauses and phrases which may be reasonably construed to give you the authority to specify what the people shall eat?

Senator WALSH. Senator Reed, he has already answered that question. He says he would not agree to do anything of that kind, because the provision may possibly embrace what the person eats on his table, but it has another purpose. Why don't you ask him whether he would be willing to eliminate this, and whether he would be willing to put in a clause that will expressly say he shall not?

Senator REED. Well, Mr. Chairman, I accept the lecture of the gentleman and just turn the witness over to him. I thought I knew how to ask a question occasionally.

Senator BRADY. Any answer that Mr. Hoover could give would necessarily have to be his personal answer. He did not create this bill; other men formulated the bill, or other committees.

Mr. HOOVER. I would be very glad to see an exception made there as to the tables, absolutely.

The CHAIRMAN. His interpretation of it would have a great deal of weight. I would like to ask one question, and then maybe you can resume the examination, Senator Reed. Mr. Hoover, unless you do, either by the exercise of power or by persuasion, reduce the amount of foods and feeds consumed by the American people, will you be able to increase the amount we will have for shipment to the allies?

Mr. HOOVER. The conservation issue rests very largely on voluntary effort.

The CHAIRMAN. Voluntary effort reducing the amount of domestic consumption? Is not that true?

Senator NORRIS. And reducing waste.

Mr. HOOVER. It includes the waste, and the waste runs into the practices of a great many trades.

The CHAIRMAN. I take it, nobody objects to the inclusion of waste.

Mr. HOOVER. There are a great many trade wastes which will form one of the strongest bases of saving.

Senator REED. Mr. Chairman, if I may be permitted to take up another question—

The CHAIRMAN. Yes, sir; go ahead.

Senator REED. Mr. Hoover, you stated in your manuscript, from which you spoke in the early part of your testimony: "If we assume that the farmer last year received an average, at the highest, \$1.60 per bushel for his wheat, then with addition of the normal manufacturing cost, righteous profits of distribution, the price of flour should not, throughout the country in the larger consuming centers, have exceeded \$9 per barrel, and yet the price of flour in a great many centers is \$15 per barrel throughout the country, and probably averages over \$14. Some one is taking \$5 per barrel on 10,000,000 barrels per month which is marketed in this country."

Mr. Hoover, do you mean to say by this statement that throughout the year the price of flour has been \$5 higher than the price it should have been based upon the price of wheat that the farmer receives?

Mr. HOOVER. No; it is \$5 higher now than it should have been. The price of flour has been gradually ascending from its normal, which was in a proper relation. For the first three months of the year it bore a close relation to the price the farmer received. Since the farmer marketed his crop it has been gradually ascending until it has reached the present price.

Senator REED. You assume the farmer has marketed his crop, but let us eliminate that. As a matter of fact, the price of flour in the market has followed the market price of the wheat throughout the entire year, with some slight fluctuations such as are to be expected. Is not that the case?

Mr. HOOVER. It has followed the quotation in wheat, but it has not followed the price which the farmer received for his wheat.

Senator REED. I am not speaking about the farmer; I am talking about the price in the market. You can use the term "quotations"?

Mr. HOOVER. Yes.

Senator REED. Now, as a matter of fact, the farmer, beginning in the month of July, sold large quantities of wheat during the whole of that month, and it went on the market at probably less than a dollar a bushel to the farmer, and flour was sold to the consumer at corresponding prices. That is true, is it not?

Mr. HOOVER. Well, I have not looked into the exact relation for that month.

Senator REED. I have the figures before me, and I will not mislead you in quoting them. So that throughout the year, and up even to the present time, the price of flour has followed the price of wheat in the market. That is correct, is it not?

Mr. HOOVER. That is correct, always with that reservation, that the farmer did not get that difference in value.

Senator REED. Mr. Hoover, I ask you if it is not a fact that the wheat supply in the elevators of the large cities was practically exhausted when the great boom came in the price of wheat along in the month of May?

Mr. HOOVER. No, sir.

Senator REED. Is it not a fact that when wheat touched its high price there was probably less than 200,000 bushels in the city of Chicago in the elevators?

Mr. HOOVER. Well, you have the visible supply of wheat in the country as a statistical matter at all times, and there has been ample supply of wheat to carry the milling through until the next season.

Senator REED. No; but I was asking you about the market. I do not want to get into any dispute about things that there ought to be no dispute about. Is it not a fact that in the elevators of the large cities, when wheat rose so rapidly on the market, the wheat in the elevators in the large cities was at a very low point? Do you know anything about that?

Mr. HOOVER. It seems to me that is a very broad statement. There is no doubt the visible supply of wheat was less than it was the previous year, but it was not at a very low point.

Senator REED. Was it not about 150,000 in Chicago at the very low point?

Mr. HOOVER. I don't know what the low point was.

The CHAIRMAN. I think it was about 156,000 in Chicago the day they closed.

Senator REED. And was it not in the public elevators of Kansas City, which is another one of the great grain markets, very much lower than it is normally?

Mr. HOOVER. I can not tell you about the particular situation in given elevators.

Senator REED. I think you stated the visible supply in the country was about 100,000,000 bushels. Where was that supply, do you know? You do not know what was held in the big cities; do you know where the rest of it was?

Mr. HOOVER. I did not state it was 100,000,000; I said it was a little below the normal.

Senator REED. Oh, I thought you did say it. How are you able to say where it was held if you do not know what was held in the large cities?

Mr. HOOVER. I take the statement of the total visible supplies in the country. I did not myself go into each particular elevator throughout the country. It seems to me here is a case where the proof of the cake is in its eating—that we will have enough wheat in the country to carry us through to the next season.

Senator REED. What I am trying to get at is, how do you know none of this wheat was held by the farmers? As a matter of fact, it was coming into the primary markets, so called, at the rate of several million bushels a month, and that wheat is generally farmers' wheat. Is not that true?

Mr. HOOVER. Well, I rely on two or three different sources of information. The first is a calculation in the department as to the prices at the periods of relative flow in the movement of the wheat, showing that the bulk of wheat was marketed in this country before the end of January.

The other is the opinions expressed by the various farmers' associations, of which I think we have consulted six, and other sources of information, and some of them placed it at as low as \$1.30. I took the highest figure which was mentioned—\$1.60.

Senator REED. That is just the question I am trying to get at. You say the bulk of the wheat was marketed in January. As a matter of fact, there was marketed on the average nearly 5,000,000 of wheat for each week of January, February, March, April, and May at the 11 primary markets, which is generally understood to be farmers' wheat?

Mr. HOOVER. Not always; it may be line-elevator wheat.

Senator REED. Oh, some of might be; yes. The largest amount received in any of these wheats was a little over 13,000,000 bushels, which was back in July, right in the harvest. But now I am coming to another question.

The CHAIRMAN. May I ask one question before you pass that? The average price to the farmer last July and August was based on a supposed average price of corn to be gathered in the fall, which reacts on the price of wheat, and the corn crop was far below the average. The price for wheat in July and August in this country was also based upon a supposed average crop of wheat in the Southern Hemisphere to be harvested in January, February, and March, and the wheat crop in the Southern Hemisphere was far below the average. Does not that account for the unanticipated advance over July?

Mr. HOOVER. Oh, there are many factors that bear on the advance of wheat, but my point is that the farmer did not get the benefit of that advance; that the middleman got that benefit.

Senator REED. You say the middleman got the benefit. Are you prepared to tell this committee that the middlemen, so called, have not in the regular course of business purchased the farmers' wheat, sold it to the miller, sent it on to the ultimate consumer this last year just as has been done in ordinary years?

Mr. HOOVER. There is no doubt that the distribution generally did work generally, but, on the other hand, with the ascending price, everybody took advantage of it. I do not assume that there was any one criminal, or any criminal in this, but there are 200,000, or perhaps half a million, agencies in this country interested in the distribution of wheat and flour, and all of them have received some benefit out of this rise and this margin between the producer and the consumer.

The CHAIRMAN. The farmer who held his wheat in his bin got the benefit of it?

Mr. HOOVER. He got the benefit.

The CHAIRMAN. Unless you could compel the farmer to give up what is in his bin you could not have increased the supply very largely, could you?

Mr. HOOVER. If the farmer is going to receive \$3 a bushel for his week next year, all well and good. What we want to see to is that some other speculative body does not come in and take \$3 in addition.

Senator REED. I do not want to get away from this proposition, because I want to nail it down if I can by coming to a clear understanding. You do not mean to say, Mr. Hoover, that the farmer along in last July marketed all his wheat at a dollar a bushel, that speculators got hold of it and sold it at \$3, or nearly \$3 a bushel?

Mr. HOOVER. I have not made that statement. I have said that the wheat, from all the reports we can get, largely from the agricultural sections, show that they marketed the bulk of their wheat at prices below \$1.50, and probably the average was not over \$1.50. I did not state anything as to the period of marketing or as to the exact price.

Senator REED. Very well. That wheat at those prices flowed right on to the miller and was then ground into flour, and went on to the baker and consumer at relative prices, so that the rise in price of flour at the end of the year took place when the wheat crop was largely exhausted. That is the situation, is it not?

Mr. HOOVER. No; the wheat crop was not exhausted, as witnessed by the fact that we have enough wheat to get through until the end of the year, but the wheat was out of the hands of the farmers.

Senator REED. You keep asserting that, and I must insist, on the other hand, Mr. Hoover, that in view of the fact that you can not tell what elevators it was in or what was in the elevators you must be in error as to that part that was out of the hands of the farmer and that part in the hands of the farmer. But I do not care to argue that; that is a question we can discuss.

I want to ask you this now. I understand you to say that there ought to be a plan by which the food for the allies should be purchased through some agency cooperating with our Government?

Mr. HOOVER. Yes.

Senator REED. What would be the object of that, please?

Mr. HOOVER. The object of this is primarily to stop rival bidding by the different allies and their agents in all markets.

Senator REED. Has that taken place in the past?

Mr. HOOVER. To an enormous extent.

Senator REED. Did that take place when wheat rose to the great price that it did in May?

Mr. HOOVER. There was rival buying of wheat and flour by different agencies of the allies at that very moment.

Senator REED. As a matter of fact, they are supposed to have purchased and held throughout the year something over 100,000,000; is not that true?

Mr. HOOVER. I do not know the details of their operations.

Senator REED. But you do know their biddings or buyings were very large.

Mr. HOOVER. Yes, sir.

Senator REED. And you do say you desire the power now to have the purchases for the allies made through one common agency, in order to stop that great element of speculation?

Mr. HOOVER. Yes, sir.

Senator REED. And you think that is very necessary and very essential?

Mr. HOOVER. I do.

Senator REED. Would you include in that the sale of all wheat and other grains that you propose to control that go to neutral countries?

Mr. HOOVER. I think it will be necessary to control neutral buying.

Senator REED. Then your proposition is to put into the hands of this agency all export business?

Mr. HOOVER. In wheat, at least.

Senator REED. There is no doubt, is there, Mr. Hoover, about the fact that the allies have it within their own power to purchase through one common agency at the present time?

Mr. HOOVER. They have now arranged one common agency.

Senator REED. It is arranged?

Mr. HOOVER. Yes.

Senator REED. That agency is already in voluntary cooperation with your committees, is it not?

Mr. HOOVER. No; we have no arrangement with them whatever; until we have some legal position we can not enter into any arrangement. Just on that point I might mention that the most dangerous thing that might happen to this country is to allow even our own allies to have the unrestricted run of our market.

Senator REED. Certainly. You do not doubt, Mr. Hoover, do you, that these allies to whom we are furnishing very large sums of money and with whom we are cooperating, having established this agency here, as you say they have, will keep faith with us and buy in accordance with whatever agreements are made?

Mr. HOOVER. I have no doubt they will keep faith.

Senator REED. So that as far as they are concerned that question is solved. Now, let us come to the question of our own purchases, our own supplies for our own Army. There is no doubt, is there, that without the enactment of a single statute those purchases can be made through one agency of our Government?

Mr. HOOVER. Well, I do not know what the legal position is there.

Senator REED. Very well. There would be no doubt about that, so that our Government and the allied Governments may purchase through one agency. You are aware, are you not, that we have in the Senate at least, a bill giving the President power to absolutely control all shipments of grain to any countries on earth, neutral or otherwise? If the President were to exercise that power and turn its regulation over to an American committee headed by yourself, and if the allies were to cooperate with you, you could control the entire export business of the country, could you not?

Mr. HOOVER. Well, by setting up a lot of arrangements with neutrals, I should say you could.

The CHAIRMAN. You could start it by laying an embargo by all grain that is going to the neutral countries to-day.

(At this point the hearing was suspended to permit members of the committee to respond to a call of the Senate, after which the hearing

was resumed at the room of the Committee on Agriculture and Forestry in the Capitol.)

Senator REED. Mr. Chairman, shall I proceed?

The CHAIRMAN. We will resume the hearing now.

Senator REED. Mr. Hoover, when we had the little recess we were treating the question of a purchase of supplies in this country by the allies through one agency, and had arrived at the understanding that that agency had already been appointed. We were also treating the question of the purchase by our own Government through one agency, and, further, had called attention to the law which gives the President the right to control shipments of foodstuffs to any neutral country. So that it appears that the allies having appointed one agent, and our Government, being fully able to take care of itself in that respect, and the President having the right to control shipments to neutral countries, all the shipments of grain to foreign countries are now practically under control.

Now, I want to ask you, if you please, to tell me as nearly as you can how much grain you think our country ought to furnish in the coming year to our allies; I do not undertake to say that you have made an exact estimate, but an approximation, whatever your views may be.

Mr. HOOVER. Just one point: That although, by virtue of the embargo bill and the arrangement made by the allies, the shipments are all under one control; you might say, under our Government the buying is not under one control. The allies are buying through two agencies—one buying flour independently of the other buying wheat. The neutrals, of course, are all buying as they like, or will all buy as they like unless some central buying agency is provided.

Senator REED. Or unless the President just declares an embargo. However, I really do not want to go back to differentiate about those matters; they are largely questions of argument. Of course, if the allies now have two agents, Mr. Hoover, they can have one if they want to, can they not?

Mr. HOOVER. Oh, yes. I would not want to make any point of it, any more than to say that there is no buying organization for export any more than there is of shipping, and that requires a constructive act.

Senator REED. What requires a constructive act?

Mr. HOOVER. To set up some central buying control of the neutrals and allies.

Senator REED. You say that requires legislation?

Mr. HOOVER. Well, I doubt whether you could get all the neutrals into one room with the allies and make them agree to anything.

Senator REED. Oh, no; that is not it, Mr. Hoover. Of course, you and I do not want to argue the question; we just want to get at the facts. I believe your interest in this matter and my own are identical. We both want to do the best thing for the country. It is true we could not get the neutrals into a room and make them agree to anything with the allies, but if the President has the power to declare an absolute embargo, do you doubt that that can be so exercised as to compel them to buy in just whatever manner the President may say?

Mr. HOOVER. Oh, I have no doubt about that, but perhaps my mind runs on different lines. My mind runs entirely on the line of

administrative measures, and I say some definite administrative measure is required to give coordinate action to those administrative forces.

Senator REED. I think there could be an administrative measure arranged. I was asking you if you could tell me about how much grain you figured could be sent to the allies under the arrangement you suggest.

Mr. HOOVER. We made an estimate of the amount of all grain. I would like to make clear that in the present situation amongst our allies they will substitute one grain for another so far as it is physically possible, and therefore we consider the grains in a mass rather than the single grains.

Senator REED. What grains?

Mr. HOOVER. Take wheat, corn, barley, and rye.

Senator REED. Now, what amounts of those grains?

Mr. HOOVER. Our estimate was that from the probable outlook of the harvest we could spare from here a matter of between 350,000,000 and 400,000,000 bushels without any special effort in conservation and economy.

Senator REED. That is, of all kinds of grain?

Mr. HOOVER. Yes, sir; all kinds.

Senator REED. Did you make any estimate of how much of that would be wheat?

Mr. HOOVER. No; we preferred not to approach it from that point of view, but to approach it from the mass point of view, because it is too early to tell what the wheat would be, and we were taking a more or less generalized figure on the average production of grains.

Senator REED. Whether it be a great or small amount of wheat, you do intend to furnish them all the wheat that we can reasonably spare?

Mr. HOOVER. That is the idea.

Senator REED. They would therefore absorb all of our wheat that is being shipped or is to be shipped to Europe?

Mr. HOOVER. Well, there may be state reasons for shipping some to neutrals. That I can not say.

Senator REED. Yes; and that would be controlled by the President?

Mr. HOOVER. I assume so.

Senator REED. In that way there would be put into the hands of the President the power to control the shipments to neutrals, and through the buying agencies of the allies they, acting in harmony with our own administrative forces, would control the amount of grain to go to the allies, and altogether they would control all of the grain that is to be sent abroad?

Mr. HOOVER. Yes; the combination of all three parties; that is, our Government, the neutrals, and the allies would control the export trade.

Senator REED. It was, as I understood you to say, the buying of the allies, bidding against each other in the markets of this country, that was one of the great forces in running up prices to what we regarded as extortionate?

Mr. HOOVER. That was one of the forces.

Senator REED. And if we could eliminate that feature entirely from our markets it would go a long ways toward stabilizing prices, would it not?

Mr. HOOVER. It would; if the implement were carefully handled. It requires a great deal of care in its manipulation.

Senator REED. Of course, everything, we understand, must be handled in the right way or it might produce serious results. But I am assuming we have good and capable management. It was because the allies were buying in such large quantities and because they had practically an unlimited power of consumption that they were able to so seriously affect our markets. That is the case, is it not?

Mr. HOOVER. That is one of the factors, but always bear in mind that the speculative elements in this country knowing the situation in Europe and knowing the intention of the allies to acquire grain themselves entered upon this situation and boosted the price even against the allies.

Senator REED. Certainly; the allies bid against the local speculator, and the local speculator against the allies?

Mr. HOOVER. And they all bid against our millers.

Senator REED. Let us see, Mr. Hoover, if that is accurate. Of course, I am not challenging any statement you make, but is it not true that the great grain dealers of our country were bears on the market, and had been persistently bears for the last year?

Mr. HOOVER. Well, that is a statement of fact I can not tell you anything about. You would have to canvass to find out, even if you could.

Senator REED. I thought perhaps you were in error in your former statement to the committee, and it now appears you do not claim to have investigated the matter. But that is all right.

I want to ask you this now. How are you going to handle this price matter so that you will benefit the consumer? How is he to get any benefit out of it?

Mr. HOOVER. The price matter?

Senator REED. Yes.

Mr. HOOVER. There is no provision for fixing prices.

Senator REED. I understand, but we assume now you do expect to benefit the consumer, do you not?

Mr. HOOVER. Yes, we hope so.

Senator REED. You hope to benefit him by reducing the price, do you not?

Mr. HOOVER. We do.

Senator REED. Our own Government, when it gets 1,500,000 or 2,000,000 men in the field will have to be an enormous purchaser itself, will it not, of grains or the product of grains?

Mr. HOOVER. It will be a large purchaser, but that does not necessarily increase the consumption of the country; it is simply displacing the buying from one hand to another.

Senator REED. Exactly; but it does concentrate in the hands of our Government the purchasing of an enormous quantity of foodstuffs?

Mr. HOOVER. I would not say enormous. The purchases of our Government will probably be one-sixth of those of New York City alone.

Senator REED. It will take whatever it takes to feed 1,500,000 or 2,000,000 men?

Mr. HOOVER. Yes; that will be it.

Senator REED. Have you any estimate as to how much that would be?

Mr. HOOVER. No; I could not tell you.

Senator REED. If you had in your hands, Mr. Hoover, the power to control the price that is paid by the allies and the price that is paid by our Government, and the power to not let any grain be sent to neutral countries unless they conformed to such rules and regulations as you might make with reference to their purchases in our market, would you by that means have the ability to steady prices so that there would not be any high prices or extortionate prices created to be paid by the ordinary consumer? Is that the method?

Mr. HOOVER. I have the impression that the use of that measure in a constructive way can be made to answer for a great deal. I have the fear it will not be sufficient, in view of the flood of grain which we are likely to have during the autumn. And we are driven to this difficulty: If it were really not exported for the allies we might have an extra accumulation of grain of, say, 100,000,000, due to the constriction of the Atlantic outlet. It would seem to me to be rather a dangerous thing to our own people to say to the allies, "You buy all that surplus." It would be a better and more constructive thing if we bought that surplus and had a contract from the allies that they would, if we wished, take that off our hands at cost, because that allows us to control that situation in the interest of our own people, as well as that of the allies, whereas, if they had it solely in their hands, you can not tell exactly what use may be made of it.

Senator REED. I see, Mr. Hoover. That appears to be very clear reasoning. To put it, now, in my own words, as I understand you, if our Government had an agency established which was authorized and furnished the money to buy the surplus grains that might be thrown into the market and to hold them and to dispose of them to our allies, or afterwards to dispose of them upon the market, the Government in that way could keep the price from dropping very low, could it not?

Mr. HOOVER. Yes.

Senator REED. And the Government could also, by the same power of selling, I assume, keep the price from going very high, so that the consumer would not be robbed at the other end?

Mr. HOOVER. That is the idea.

Senator REED. In other words, the exercise of that power amounts probably to the ability to fix prices, does it not, within reasonable limits?

Mr. HOOVER. Yes; it all depends upon how far one would exercise that.

Senator REED. I am assuming it is exercised so as to give the best results for the consumers of our country.

Mr. HOOVER. It is not a general question. It might apply to wheat, but the allied and foreign buying of no other commodity is sufficient to control the situation. The wheat alone practically is the one thing that has a sufficient export proportion to govern the market.

Senator REED. It would have a tremendous effect, of course, on barley and rye, because, as a matter of fact, we are importers of both those grains more than half the time, are we not?

Mr. HOOVER. Yes; in considerable amount.

Senator REED. And it would have a great effect upon corn prices, would it not?

Mr. HOOVER. I do not want to say. The corn crop of 3,000,000,000 bushels and the total exports of probably 150,000,000 or 200,000,000 might be entirely insufficient to operate on the price.

Senator REED. Do you not think it will go higher than that this year, Mr. Hoover?

Mr. HOOVER. It may.

Senator REED. That brings a little side matter in, and I just mention it in passing, that if we have got all this corn crop, and we could get it over to the allies, they would not starve to death as long as they could get good corn meal?

Mr. HOOVER. The question of the proportion of corn that could be exported is rather difficult from an American point of view. You have to go back to the root fact that all of the bread in Europe is baked in public bakeries. The people themselves do not know how to do it. That bakery bread must be bread that will stand a period of distribution, and, practically, it must be a loaf with a wheat base. To make corn bread in public bakeries and distribute it is hopeless in this country, and is equally hopeless there. It is not because they would not eat corn bread in desperation, but because of the difficulty of getting it to their tables. There is also the difficulty of the fetish of the European people for a loaf. So the allies are providing for admixture of 20 or 25 and up to 30 per cent of corn in the loaf.

Senator KENYON. Is there not some plan by the Department of Agriculture to send experts over there to teach the people how to use corn for bread making?

Mr. HOOVER. Yes; and they propose to exploit the use of corn in other forms than bread.

Senator REED. Of course, this is an aside. You do not have any doubt, do you, that they can cook corn meal along the front and feed their millions of troops, and that that could be learned very quickly; that it could be cooked in the Army ovens, and that millions of people could be supplied in a few weeks out of wholesome corn meal? I hope that is true. I thought the Confederate soldier fought pretty well on corn bread.

Mr. HOOVER. None of us dispute the nutritive value of corn bread, but one has got the lifelong training of people to take into account, and one does not want to start discontent if it can be avoided.

Senator REED. We will not force it on them; but they would not require much forcing if they got hungry.

Now, coming back to the other question, we then come to this point, that these influences that I have spoken of have had a great effect in the stabilization of prices; that is, the fixing of a price which will give reasonably cheap food to the consumer.

Mr. HOOVER. Yes, sir.

Senator REED. In addition to that there is another power in this bill which I want to read to you. [Reading:]

To carry into effect the purposes of this act the President is authorized to purchase, provide for the production or manufacture of necessities; to store

them; to sell them; and to require any person having the control of any necessities to furnish the whole or any part of the necessities to the Government in such quantities at such times, and at such prices as shall be determined by the President to be reasonable. Upon failure of the person to comply with such requirement, the President is authorized to requisition and take possession of any such necessities or storage space, and to pay for them at the price so determined.

And then there is the right of appeal.

If that power is exercised, you would have no difficulty at all in going into the market with the great resources of our Government and absolutely controlling prices, would you?

Mr. HOOVER. I assume that under that clause it should be possible to place a great limitation on all of these operations of this character. There is first the supply of our own trades and the local demand and its incidents as against the export demand. These problems are of extreme complication, and I do not know that anything is gained by going into them in great detail, but I will answer straightforwardly the point you make—that it would be possible in the case of wheat, for instance, to more or less fix the price.

Senator REED. And rye or barley?

Mr. HOOVER. Well, if there was a large proportion of export; it depends on the proportion wanted for export.

Senator REED. But it is not limited to export, I call to your attention, Mr. Hoover. This section is not limited to anything; it is simply a broad general right to go into the market and buy and sell. The immense resources of this Government, which recently voted \$7,000,000,000 bonds and in a few days raised practically \$3,000,000,000, thrown in in that way could control prices, could it not?

Mr. HOOVER. I think so, and I think it is a desirable power to have in the Government, that it could go into the market to buy and sell.

Senator REED. Do you think it is desirable, then, for the Government to control prices by going into the market and buying and selling? And that brings me to the question, You propose to give the farmer a minimum price for what he has to sell. You say that maximum prices have always been a failure. Haven't you just now admitted that you have in this bill the power to fix maximum prices?

Mr. HOOVER. Only in those commodities where we buy and sell a sufficient quantity.

Senator REED. But you have the power to buy and sell without limit where you have the unlimited resources of the Government?

Mr. HOOVER. I take it if you want to pursue any power given any government practically to its logical extreme you can make it appear absurd. That is one difficulty with any power that I know.

Senator REED. I am not pursuing it to make it absurd; I am pursuing it now to make it plain. Those who advocate this legislation are saying in substance to the people of the United States that they are going to make food cheap for the consumer—a very desirable thing perhaps—but I want it to appear that in order to make food cheap for the consumer you must take over and have undertaken to take over the right to fix the price to the producer. I want the American farmer to know just where he is getting off under this bill.

Mr. HOOVER. And I think you ought to add to that the statement I made this morning, that no one who approaches production from

a war point of view approaches it from any other attitude than that we must maintain a very high level of prices in this country to induce the production; that the price the farmer receives must be an extraordinary price.

Senator REED. And that price must be carried on to the consumer inevitably?

Mr. HOOVER. Yes. There is a point in the rise of price where you get no commensurate advantage in further increase, and there you press unduly on the feet of the consumer. I would like to illustrate that by one thing. The Canadian Government, as I understand, fixed the price of wheat in next year's harvest as between \$1.75 and \$2 a bushel.

The CHAIRMAN. When was that done, Mr. Hoover?

Mr. HOOVER. They have now set up a commission; I have not got the whole details of it, but I gathered from the Canadian representative I have seen that that is the range in which they endeavor to hold the price.

The CHAIRMAN. That has been done in England. The reason I asked that is, I had a telegram from the American consul at Ottawa the other day saying they had not fixed prices and probably would not.

Mr. HOOVER. They have not fixed prices in the sense of price fixing. In effect, they have done what Senator Reed points out, they have fixed limits for the buying and selling of wheat, and they have fixed those limits between \$1.75 and \$2 a bushel. If the farmer of this country did receive \$2 a bushel at the terminal elevators, the price reacting to him from \$2 a bushel at the terminal elevators, the large consumer in this country should have his flour at \$10 a barrel next year instead of \$15 as it is to-day. And that is the problem of this bill.

Senator REED. Does that eliminate the middlemen?

Mr. HOOVER. It is to excise the undue profit, not the normal profit, of the middlemen, because with \$10 flour he gets a normal profit.

Senator REED. I think we are getting somewhere, Mr. Hoover, and we may get to a point of agreement, you and I, as antagonistic as we seem to be. It seems to be admitted that the bill does give the power to you, or the commission of which you may be the head, acting for our Government and controlling all these forces we are referring to, to fix the maximum price that the farmer may receive. You now say that you do not desire, however, to fix a price to the farmer, but you want to get at the speculative forces that lie between the farmer and the consumer, and you want to eliminate them.

Let us start with 1,000 bushels of wheat, raised by a Dakota farmer and carried to the mill and sold at the minimum Government price, which we will say is \$1.60, to the man who has an elevator at Fargo, S. Dak. I wish now you would take that 1,000 bushels of wheat and carry it through to the ultimate consumer, and tell me how you are going to make this saving on that 1,000 bushels of wheat. I want to help you do it.

Mr. HOOVER. I rather wish to object to the term "Government-fixed price." Our idea is not to do that at all, but to buy a surplus of wheat which may flow from the farmers in this country for the farmers' own protection. If there is no surplus, then we shall probably not be intervening at all.

The CHAIRMAN. There is no probability of a surplus.

Mr. HOOVER. There may be a surplus for the first three or four months.

Senator REED. Then, I change the question to conform to your views. I am certainly not trying to put something of a tricky nature into the question. I said "The Government minimum price," I think.

Assume that a farmer brings 1,000 bushels of wheat to the elevator at Fargo, S. Dak., and sells it at Fargo, S. Dak., at the minimum price which the Government happens to fix and which is also the market price for that one day.

Mr. HOOVER. Again I must protest about the "minimum price which the Government has fixed," because there is no intent of that kind in the bill. What I will say, if you will phrase it another way, is this: Suppose a farmer brings his wheat to Fargo, S. Dak., and sells it for \$1.60 a bushel. Then I will follow it through for you.

Senator REED. You say there is no minimum price in this bill?

Mr. HOOVER. There is a minimum price entirely different. That is a guaranty for the 1918 harvest; that does not relate to this year's harvest at all.

Senator REED. I do not desire to take up a moment with questions of that sort; they are too inconsequential. Let us assume you start with 1,000 bushels of wheat which a man brings down to Fargo, S. Dak., and which he offers for sale and does sell in the open market. Now, will you follow it through and tell me how we are going to effect these sales? Understand, to begin with, the allies are no longer in the market speculating. The neutrals are no longer in the market speculating. The United States Government is not in the market buying at a high price. All those things have been coordinated into one buying agency, to use the expression of my friend from Nevada, so that element of speculation is out of the question, and this gentleman now sells upon the market 1,000 bushels of wheat. Will you kindly tell us how you can go through that and make the saving?

Mr. HOOVER. His wheat will naturally flow from the elevator to the miller; that is, assuming it is for home consumption. Transportation is fixed by the Interstate Commerce Commission, and I do not think anyone can speculate upon that. So we land it at the door of the miller. We have had some meetings with the millers of this country, and have asked them to develop a method by which unusual speculation and profit can be eliminated from their trade, and they make this suggestion, that the millers should agree on a series of maximums as to milling charges applicable to wheat. That varies from the small miller who has to have a higher milling charge to the larger miller who can operate more cheaply. They agree further they will not sell flour forward beyond 30 or 45 days; that they will supply the flour to all comers at the mill. Then we have reduced the milling business, which the millers are only too desirous to do, to a normal manufacturing basis at its normal profits.

Senator REED. If there were a law passed to prevent the sale of futures in flour beyond 90 days, that would stop that trouble, would it not?

Mr. HOOVER. It may be there are certain times and seasons when the question of future sales would need to vary. I think a positive legal limit on that is another of those cases where a great deal of flexibility must be left to arrangement with the millers.

Senator REED. Suppose you left it to a commission to regulate the sale of futures. Suppose we left that to you so you could consult with the millers and you just had a right to fix the time. That would remedy that evil, would it not?

Mr. HOOVER. It would remedy part of that evil.

The CHAIRMAN. Section 11 of this bill, Senator Reed, and the Nelson amendment to the other bill that we passed conveyed that power.

Mr. HOOVER. That power only applies to dealings on exchanges, not to contracts between millers and jobbers. And here we want to get at the fundamental contracts of the trade.

Senator REED. How much are you going to save now in that way with that miller?

Mr. HOOVER. Let me follow it through in my own way?

Senator REED. Certainly.

Mr. HOOVER. Those millers will say, I am confident, from those I have discussed the matter with, that "We can only enter into this sort of an arrangement by way of patriotic interest if we may be sure that all millers of this country will be put on the same basis." And there we come back to section 5, the licensing of the whole trade. They can not get a voluntary arrangement that applies to every member of the trade. Then the miller, having made this arrangement by which the price of wheat reflects on the price of flour, with his normal profits and normal costs, a large portion of this goes over to the hands of the jobbers. The jobbers with whom we had discussed the matter assure us that likewise, in patriotic interest, they, the larger members of that trade, would be glad to enter into an arrangement to stipulate the turnover, profit, or commission that they are to make for the handling of flour. Likewise we may need the provisions in section 5 to force the jobbers onto that line.

We have now landed that flour into the hands of the retailer and the ultimate consumer. We may then advertise to the whole of the cities and towns of this country what the price of wholesale flour to the retailers is. The bill excepts the control of the retailers, but it seems to me that if the people of New York understand what the wholesale price of flour is in New York they can at least insist on getting a reciprocal price from the retailer and the baker.

Take it roughly, the normal profits of trade—and there are some milling gentlemen present will check me on this—in handling flour, the normal profits in handling wheat, the normal charges in transportation, after deducting the feeding values and all these things come out, as for the New York City market, at somewhere around 4.8 to 5 times the price of wheat to the farmer.

Senator REED. That is the normal?

Mr. HOOVER. That is the normal profits.

That would mean that if the farmer received the \$1.60, that the price of flour should be practically \$8 a barrel, and I assume that this year the farmer will receive more than \$1.60.

Senator REED. From \$8 to \$9 a barrel. I have examined the figures—

Mr. HOOVER. Somewhere in there.

Senator REED (continuing). I have examined the figures, and while they say the price of flour runs four and a half times the price of wheat in the Chicago market, that it generally runs a little above that, at least it has for some time back.

Mr. HOOVER. The average is that.

Senator REED. Mr. Hoover, let me, in the first place, inquire how many of these millers have been here and signified their willingness to enter into this kind of an arrangement?

Mr. HOOVER. Well, I am in no position to make binding agreements with millers. I have discussed these matters with the utmost frankness, and asked them to make constrictive proposals, and this is the line of proposals we have received.

Senator REED. How many millers are represented—what proportion of the mills of the United States?

Mr. HOOVER. The millers who came to consult me represented various sections of the country. They told me that they represented 70 per cent of the milling output of the country. I assume that they speak for 70 per cent for the milling output of this country.

Senator REED. You expect, if this is carried through, that the millers' profits will be of such a character that the barrel of flour will cost approximately four and one-half to five times the price of a bushel of wheat?

Mr. HOOVER. I expect the miller to make, considering the increased cost of production, a normal profit on his business—I would not say that the previous figures will check with the increased cost of labor, production, and everything.

Senator REED. It may go up?

Mr. HOOVER. It may go up.

Senator REED. As a matter of fact, the miller has been selling his flour for about four and one-half the price of wheat, and it takes four and one-half bushels of wheat to make a barrel of flour, and the millers' profits have been made in the bran, shorts, and middlings; is not that about the case?

Mr. HOOVER. That might be the case, but that is not the problem we are considering. I do not consider that the miller has had the benefit of this orgy of wild speculation at all. The miller 9 times out of 10 is not a speculator at all.

Senator REED. In other words, the miller has not been a speculator; he has not been a food hog, and when you get your system in full working order you do not expect to reduce profits, but expect to let them run up a little, if possible, on account of the increased profits everybody is making. So, I do not see where we are going to make any saving with the miller.

Senator BRADY. You are not attempting to make any saving with the miller, are you, Mr. Hoover?

Mr. HOOVER. We are endeavoring to excise the illegitimate speculation in the trade, which I have reiterated amounts to \$5 a barrel, and I think every miller will confirm that.

The CHAIRMAN. Mr. Hoover, has it been called to your attention that the day the Chicago exchange closed the millers were bidding and paying 16 cents a bushel more for wheat than speculators?

Mr. HOOVER. That is quite possible; and the miller was not making an undue profit in turning that wheat into flour, but the question to consider is, "Who made the profit between the flour and the wheat which the miller bought"?

Senator REED. You have eliminated the miller. You say the miller has been fair all the time. Let us find the fellow who is doing this speculating. You are not going to save anything on railroad rates, because the Interstate Commerce Commission regulates the rates. You are not going to save anything with the miller, because the miller has always dealt fairly with the people.

Have the wholesalers been the one who are responsible for shoving up the price of flour?

Mr. HOOVER. I would not want to say that any special trade is guilty in this matter. What I say is that the necessity of protecting themselves from the fluctuating price has led everybody all along the line to increase their margins as a sort of a legitimate speculation. I will say that there have been and there are a large number of plunderers who have extracted from this situation large profits, and that our sole object is to so police every line in the distribution chain that they stretch from one link to the other in a manner that will exclude the opportunity for speculation.

Senator REED. Yes; but we are getting away from our thousand bushels of wheat and getting into very glittering generalities that really do not enable us to catch the culprit. We have eliminated the railroads and we have eliminated the miller. They are both in the clear. Now, there remains, as I see it, in the handling of this flour, two other gentlemen—the wholesaler and the retailer.

Have the wholesalers, to your knowledge, been guilty of gathering up large quantities of flour and forcing up the market, or is it not a fact that the market on flour did not go up until the market on wheat went up?

Mr. HOOVER. Well, it is true that the market on flour has followed the market on wheat, but you always get away from the fact, which I think many of these gentlemen will support me in—that is, the price that the farmer realized for his wheat was not the daily quotations. The average of the quotations were far above what the farmer averaged for his wheat, and the price of flour has reflected the average quotation from day to day. They are two entirely different things.

If I may return to the policing of that trade, that chain of distribution. If that wheat passed directly from the farmer to the miller, or through any restricted channel, it prevents anyone entering into possession of that wheat for speculative purposes. We have excised the people who speculate on wheat, and we have taken one culprit out of the situation. If the miller, on the other hand, does not forward contracts, we have destroyed the possibility of some one else entering into the dealing in futures in flour. If we put it up to the jobber under the restriction which he makes, and from the jobber to the retailer we have prevented the entering into that chain of this illegitimate portion of the price.

Senator REED. That illegitimate portion of the price is the result of the action of the fellow who goes into the open market and buys. Is not that the man you are after, or is it the man who buys on the board of trade?

Mr. HOOVER. There are people who buy on the board of trade; there are people who buy actual commodities and store them; there are people who take transfers of forward contracts abroad; there are people who buy flour itself. There are wholesalers who hold that flour for a rise. There are retailers who mark up the price of flour they may have bought at \$8 a barrel, as the price of wheat rises, to \$14. All along the line an unstable price encourages speculation by hundreds of thousands of people.

Senator REED. That is true of everything in the world, is it not?

Mr. HOOVER. Yes.

Senator REED. Let us go back and take up this statement that you have just made. The power is given now to stop the selling of futures; that is already "excized," to use your term.

Mr. HOOVER. No; that applies to board of trade futures, not to futures in trade.

Senator REED. As a matter of fact, nearly all of these purchases of futures have been made through boards of trade, have they not?

Mr. HOOVER. That I would not want to say.

Senator REED. Nine hundred and ninety-nine one-thousandths at least; is not that true?

Mr. HOOVER. Your estimation may be better than mine.

Senator REED. You do not claim to have any information about it?

Mr. HOOVER. No; I do not think anyone has, in fact.

Senator REED. I think we have some pretty accurate general information about it.

If the right to sell futures was eliminated both on flour and wheat and corn and rye and oats and barley, all these foodstuffs you have spoken of, that would remedy this evil to a large extent, would it not?

Mr. HOOVER. It might, but if you were to pass legislation obliterating futures, you might demoralize the trade of the country.

Senator REED. Supposing we give you the right or give some other agency of the Government the right to regulate the sale of futures from time to time, then that would remedy it, would it not?

Mr. HOOVER. That is precisely what we are asking for, among other things, and we have approached it as simply a method of licensing, which we can agree on with the members of the trade as being the most facile of approaching that.

Senator REED. Mr. Hoover, do you not know we would get along so much faster if you would be so kind as to answer particular questions. You have had an opportunity to explain, and you will be given another opportunity to explain, but I would like to get to the point of these things.

Senator KENYON. I would like to have him answer in his own way.

Senator REED. If we were to take out this element of buying futures and put it under a regulation, what else now remains that you want to eliminate?

Mr. HOOVER. There are various practices in every trade in this country, of which futures is but one item, and every one of those trades and methods need to be gone into constructively with the men in that trade, to develop a method; and it therefore requires a general power. I could not, as I explained, sit down here and hope to

illuminate to you the practices in every trade in this country, because I do not know them, and I do not expect to ever know them; I do expect to rely on proper advice.

Senator REED. In other words, there is an undiscovered country, and you are asking Congress to just blindly turn over to you the power to control the business of the United States and the affairs of the business men of the United States, the things that you are utterly unacquainted with to-day.

Senator KENYON. Do you ask Congress to do anything?

Mr. HOOVER. I do not ask Congress to do anything. I did not formulate this bill.

Senator REED. I will change it—Congress is being asked.

Mr. HOOVER. Of course I have given information as well as I can from time to time. I am willing to admit that I am totally incapable of handling this problem, if that satisfies you.

What I do say is that the patriotism of this country is such that we can assemble here in Washington the trades of this country, and they will join with us in working out a solution of this with all technical ability and long experience behind them, and it is nothing but a general power that will allow the accomplishment of that thing.

The CHAIRMAN. You think that is true of the purchasing board; that they are patriotic enough to buy economically?

Mr. HOOVER. I would not want to answer that, Senator Gore. I do not know anything about it.

Senator REED. Mr. Hoover, I do not want you to think that I meant by any question I asked to intimate that you did not have ability, and plenty of it. I meant nothing of the sort. I was referring to the fact from an entirely different angle—that you say there are practices which you are not even acquainted with yet; and I did use the term, "You are asking us to grant power," and I believe it is said that you have not asked any power. However, Mr. Hoover, you have been a very earnest advocate of this bill publicly, have you not?

Mr. HOOVER. I have. I have been an earnest advocate of a food control in this country, because I believe it is a vital issue in this war.

Senator REED. You could not tell me how many of these millers you have actually seen.

Mr. HOOVER. I think the number is either 10 or 11.

Senator REED. Do you know now about how many millers there are in the United States?

Mr. HOOVER. I believe there are about 5,000 millers; but always bear in mind that there are a number of millers' associations, and that they have responsible officials, and that those gentlemen largely represent the views of their trades, and those are the gentlemen with whom I have been in consultation.

Senator REED. I have not any doubt you have done much good by discussion, and I am going to try to help you along that line.

You are speaking about the farmers. Have they been represented here?

Mr. HOOVER. The various farmers' associations have representatives to Washington.

Senator REED. Let us get what we have to do. I am interested in that.

Mr. HOOVER. I will have to send you their names. One is the Farmers' Union, and the Equity Association, and some others. I will have to give you the names later.

Senator REED. Have the wholesalers been represented?

Mr. HOOVER. Yes.

Senator REED. Who represented the wholesalers of flour?

Mr. HOOVER. The presidents of the two national wholesale associations. I only want to make this comment: Of those associations those representing the farmers and those representing all the different trades who have been here not one has objected to this bill; they have all agreed that in this national emergency this bill is necessary. That is the most extraordinary fact I can assemble in this meeting.

Senator REED. They are all willing to cooperate?

The CHAIRMAN. Would you say that of the representatives of the Grange, Mr. Hoover?

Mr. HOOVER. I do not know that I have met them. I only make that point in regard to all of those gentlemen who have come to me, and there are a great many of them.

Senator REED. Could you tell me the names?

Mr. HOOVER. Mr. Whitmarsh and Mr. McLaughlin.

Senator REED. Just those two?

Mr. HOOVER. Just those two; and they have had other gentlemen with them, whose names I do not know.

Senator REED. You think these men, then, really represent their various associations and organizations of the country and speak for them?

Mr. HOOVER. I think so, because they have held meetings of their associations; they have passed resolutions right and left over the country, asking Congress to support this legislation. The wholesalers' association passed those resolutions, the bakers' association passed those resolutions, and the millers' association passed resolutions. We have had those resolutions flowing into our office at least for the past month; and the chambers of commerce of the United States have done likewise.

Senator KENDRICK. I would like to ask Mr. Hoover a question here in connection with that matter of future sale: Is it not true, Mr. Hoover, that even allowing there was no vicious speculations, so-called, between the producer and the consumer, would not this system that is proposed now in the equalizing of the movement of this grain, based on the governmental plan of low profit, except necessary expenses, involve enormous savings to the consumer?

Mr. HOOVER. I believe so, Mr. Kendrick.

Senator KENDRICK. And give to the producer exactly the amount of money he is getting to-day?

Mr. HOOVER. I believe so. I believe there is a saving of 20 to 25 per cent by the excision of these particular elements.

Senator REED. Do you think the farmer and the producer ought to have a profit?

Mr. HOOVER. By all means.

Senator REED. If the farmer and cattle raiser, the sheep producer, and cotton raiser are entitled to a profit, are not these middlemen entitled to a profit?

Mr. HOOVER. We have not proposed that they should do away with their profits. I said "regulate."

Senator REED. I understood you to say "excision."

Mr. HOOVER. Excision of illegitimate profits.

Senator KENDRICK. Mr. Chairman, I want to make that point clear.

The unequal flow of this product intended at times to force the price down to the producer and to his detriment, and again the scarcity of the commodity compels, if you please, the consumer to pay an excessive price. Now, the stabilizing of that condition, by the handling of this through the Government as an agency, will not work a hardship on the middleman, except as it relieves him of an opportunity to invest his money, but will reduce the ultimate price to the man who consumes this product. That is what I mean—giving, in other words, if you please, the producer exactly the price and even a better one, because the market will be nearer staple over a period, we will say, of one season, and will give to the producer a higher average price and it will furnish this product to the consumer at a lower average price.

Mr. HOOVER. That is it.

The CHAIRMAN. That is undoubtedly very desirable.

Senator REED. Of course, what you mean is that it is going to be adjusted.

Now, I am going to ask Mr. Hoover if he thinks that it is possible to market the produce of this country through one agency and adjust it so that all parts of the country will get just what it ought to have, as implied in the question.

Senator KENDRICK. If you will pardon me, Senator, I want to suggest here that Mr. Hoover has pointed, and we have had the matter before this committee at other times, that it is the intention of this authority, those who are responsible for the administration of this law, to use every one of the present business agencies, just as he has spoken of, the millmen, the elevator men, and all of the others.

Senator REED. I will still ask the question, if Mr. Hoover thinks it is possible for any one agency or directing force to distribute the food and produce of this great country so that there will be no shortage at any point and no surplus at any point and so that all the middlemen will cut out any of their profits except just the profits that may be indicated to them correct. Do you think that is possible?

Mr. HOOVER. Senator, that is another one of these questions of the logical extreme which I do not think seriously interests practical men.

Senator REED. Do you think it is possible to come to it in a practicable way so as to get a practical result.

Mr. HOOVER. You may take this as a practical fact: That 75 to 85 per cent of the necessary food consumption of the poorer classes of this country is comprised in seven or eight commodities, and that it is possible with a sufficient amount of subsistence and help to greatly ameliorate the conditions with regard to those commodities. If people wish to eat lobsters and there is an unequal distribution of lobsters, it does not interest me.

Senator REED. Of course that does not interest me, and it does not much interest anybody except the fellow who wants the lobster, and I do not want you to think I am trying to be antagonistic

about this matter. I am trying to get at a solution of this matter if I can. My mind may travel along a different line than yours.

Senator WALSH. Your questions would lead to that conclusion.

Senator REED. Possibly my questions are not asked in the form that is pleasing to you.

Do you think that the prices of other things besides farm products ought to be controlled.

Mr. HOOVER. Outside of food?

Senator REED. Yes.

Mr. HOOVER. That is a question entirely outside of this bill.

Senator REED. No; it is in the bill.

Mr. HOOVER. Only with respect to fuel.

Senator REED. Food and fuel and manufacturing and all of the things that enter into food and fuel.

Mr. HOOVER. I think we agreed this morning there were no constructive provisions in the bill for that.

Senator REED. That is a mistake. It is all through the bill, Mr. Hoover, and we may as well understand that. What I am trying to get at is this: If there are no restrictions or limitations upon the prices of other things, then I want to know where is the justice of allowing, for instance, the Steel Trust, that makes a great prime necessity that every human being in the world is to a great degree dependent upon—ought there not to be regulations there of those prices?

Mr. HOOVER. It seems to me that is a responsibility up to you gentlemen to see that no one makes an undue profit out of this war.

Senator REED. Out of anything?

Mr. HOOVER. Out of anything.

Senator REED. Then you would advocate the control of the prices of iron and steel, of copper, lead and zinc, and all things?

Mr. HOOVER. I do not necessarily advocate the control of prices. I do advocate the taking over of profits, which is probably a more soluble question.

Senator REED. We have been doing that a good deal by taxation and some of us have been wanting to go further than some of the rest. But, do you mean in another way?

Mr. HOOVER. That is all apart from this bill.

Senator REED. I disagree with you, and if you will give me a moment I will try to make that plain.

The CHAIRMAN. Senator Reed, may I make one point, that under this bill the food-control powers might devolve from fuel, and undoubtedly fuel is involved in that it may devolve upon some features involved in that, and that may devolve upon something else. All these powers are undoubtedly embraced in this measure—feed and fuel—and that power could be devolved upon. So all of these powers are undoubtedly embraced in this bill.

Senator REED. I am asking now if it is possible to regulate the prices even of the miller or of the wholesaler or the retailer without taking into account, to some extent, the prices of steel and iron?

Mr. HOOVER. I presume the course of operation must be taken into account. If there is no restriction on the rise of prices in those directions, a constant adjustment must be made as to that position.

Senator REED. That would be true of the farmer who is required to pay something like nearly twice as much for the things he buys. It would be true of him.

Mr. HOOVER. They must all be considered, every link in the chain.

Senator REED. When you run it down to the end, if you are going to regulate the profits in steel, the profits in shoes and boots, the profits or prices of any of these other prime necessities of life, you get down to the point that you also have to consider the question of wages, do you not?

Mr. HOOVER. Yes; and you will have to consider the wages if you don't. It is the choice between two evils.

Senator REED. So it is proposed in this bill to give these powers and regulation to somebody, is it not—the power to regulate wages?

Mr. HOOVER. If you can import that into the legal language of the bill, that it has the right to regulate wages, I would recommend to you strongly that you put in some provision which would excise that. That seems to me a matter of congressional action.

Senator REED. If it is necessary, however, to consider the question of wages, in considering the question of prices, why is it not necessary to have the power to control the wages in the bill?

The CHAIRMAN. That is in the bill.

Senator REED. But Mr. Hoover said it ought to be stricken out.

Senator KENYON. Do you think it is in the bill, Senator Reed?

Senator REED. Undoubtedly.

The CHAIRMAN. Undoubtedly; yes, sir.

Senator KENYON. Under what section, Senator Gore?

The CHAIRMAN. That is section 10—manufactures, mines, and other plants.

Senator REED. It reads this way:

The employment, control, and compensation of employees.

Mr. HOOVER. I have stated once this morning that I thought we had ended the discussion of that paragraph by saying, so far as I was concerned in the administration of food, I do not care anything about that section; but I wish to make this statement, that this bill has been formulated by other gentlemen—I don't know who. They have brought many minds and different thoughts, and they have presented a bill here, and it is not for me to make any suggestions as to whether they are right or wrong as to anything they have introduced into it.

The CHAIRMAN. The profits in the steel industry or any other industry would necessarily involve the question of wages?

Mr. HOOVER. It seems to me that is entirely apart from our discussion.

The CHAIRMAN. It may be from food discussion.

Mr. HOOVER. I am trying to give information on food administration and that alone.

Senator REED. We are trying to deal with the question of food prices, and if we deal with the question of food prices is it not equally necessary to deal with the question of everything that the farmer must buy as he goes along; and if we deal with those questions of what he buys, does not that involve the wages of the men who produce the things he buys?

The CHAIRMAN. Let me interject that potash, an essential ingredient of fertilizers, has gone up several hundred per cent. That illustrates the point.

Mr. HOOVER. That is again the case of the logical extreme. As a matter of fact, at Fargo you can buy wheat from a farmer at a price that controls all those issues, even though they be in control.

The CHAIRMAN. Fertilizer being so high is not a logical extreme. It is a very stern and stubborn fact and will curtail the production in the South very seriously this year, and I would not like that to stand in the record as a mere logical fiction.

Senator REED. Speaking of the price of bread in Belgium and France, in normal times and before the war, how did that price compare with the price of bread in our country?

Mr. HOOVER. I really could not tell you. It reflected the price of wheat, I presume.

Senator REED. Was it not cheaper in those countries than it was in our country, just as it is cheaper in those countries now than it is in our country?

Mr. HOOVER. The distribution in our country is somewhat more expensive than it is in Europe, but taking it by and large the price of wheat in Europe has always been identical with ours, because they have always had to buy some portion of their consumption from us.

Senator REED. And is it not a fact that the price of bread in the city of Paris has for years before the war ever been less than the price in this country?

Mr. HOOVER. That I could not say. I have no information myself upon that.

Senator REED. Is not that true of all the European countries?

Mr. HOOVER. You could not get that out of my mouth, because I do not pretend to know anything about it.

Senator REED. Of course, if it was true and true all along, the fact that it is still true is not remarkable.

Is not this a thing that enters largely into the question of the prices charged by retailers? Does not the retailer have to take into consideration the rents that he has to pay when he sells?

Mr. HOOVER. I have no doubt his labor and all of his other costs have to be taken into consideration as well.

Senator REED. And his rents. Now, if his rents are very high, are you going to do anything to relieve him of these high rents?

Mr. HOOVER. Those questions do not enter into the proposals which we make. What we are endeavoring to do, I may repeat, is to excuse the abnormal conditions as the result of this war and its incidents in this country. That does not take us into the regulation of rents.

Senator REED. I am going to go back to my 1,000 bushels of wheat. We got it to the miller, and you have told us what you propose to do with the miller, and you have told us about the wholesaler. Now, coming to the question of the retailer, have you any means of controlling him at all?

Mr. HOOVER. The bill, I believe, provides that we shall not interfere with the retailer.

Senator REED. Is it not a fact now that a very large percentage of the increase of price to the consumer is made between the wholesalers and the retailer? I rather should say after the retailer gets

the goods and puts them on the market, is there not a very large percentage added there?

Mr. HOOVER. In the ascending prices we have had the retailer has taken advantage of the rise in price to mark up the goods on his shelf, and that is just exactly what we want to get at by the stabilization of price.

Senator REED. But you do not intend to touch the retailer himself?

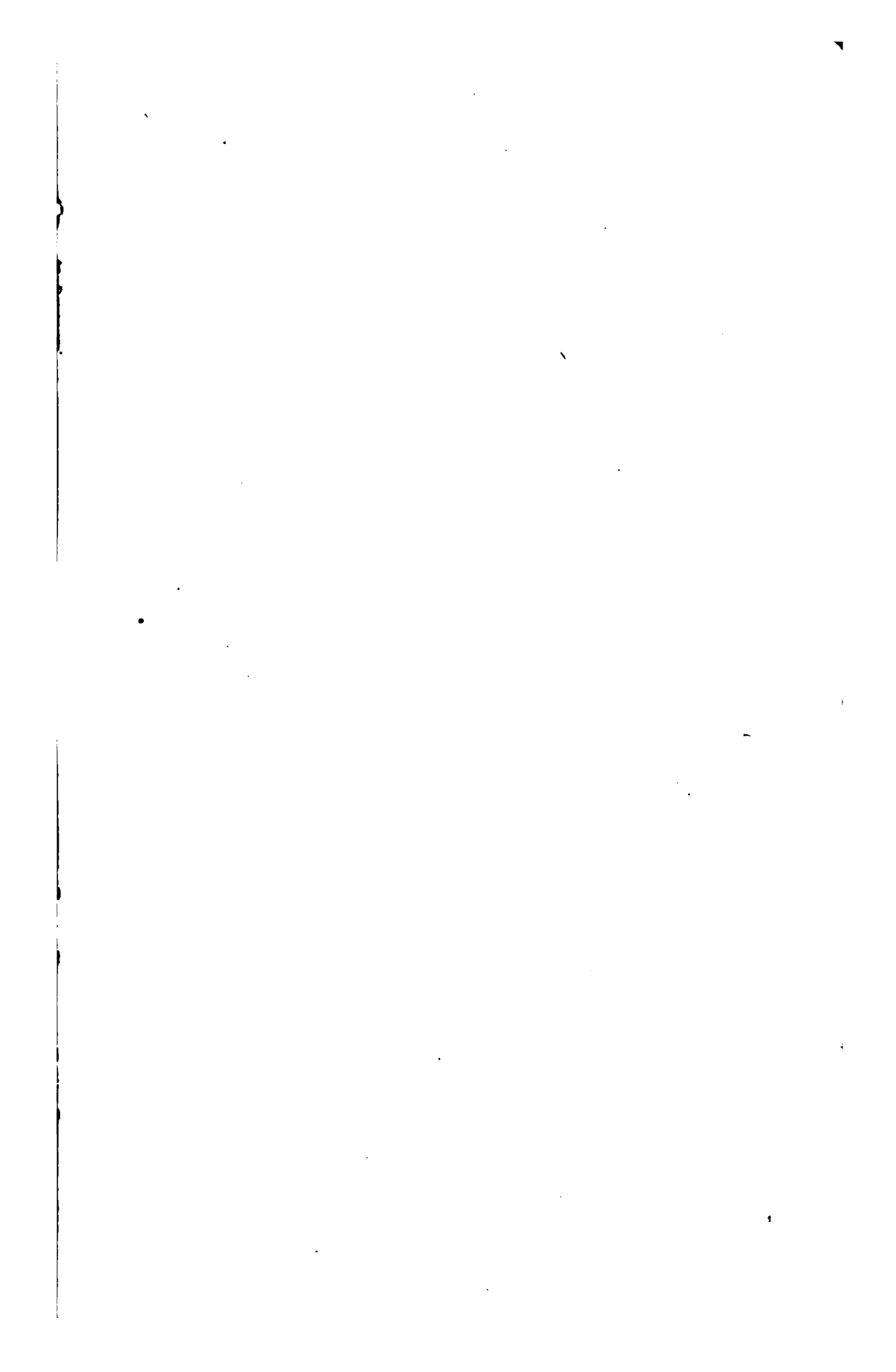
Mr. HOOVER. I think he is especially excepted from the operations of the bill.

Senator REED. In view of the fact that Mr. Hoover says he ought to leave and there are a lot of things I want to inquire about, I am not going to ask any more questions now, and I want to thank Mr. Hoover for his courtesy to the committee.

Mr. RANDELL. Mr. Chairman, on behalf of the committee, I want to thank Mr. Hoover for the enlightening explanation he has given upon this bill.

The CHAIRMAN. The committee will now stand adjourned to meet next Friday morning at 10 o'clock, when Mr. Hoover says he will be glad to be with us.

(Thereupon the committee stood adjourned to meet Friday, June 22, 1917, at 10 o'clock a. m.)



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